

AUG. 3  
1935

# BUSINESS WEEK

BUSINESS  
INDICATOR



Week  
ago  
Year  
ago

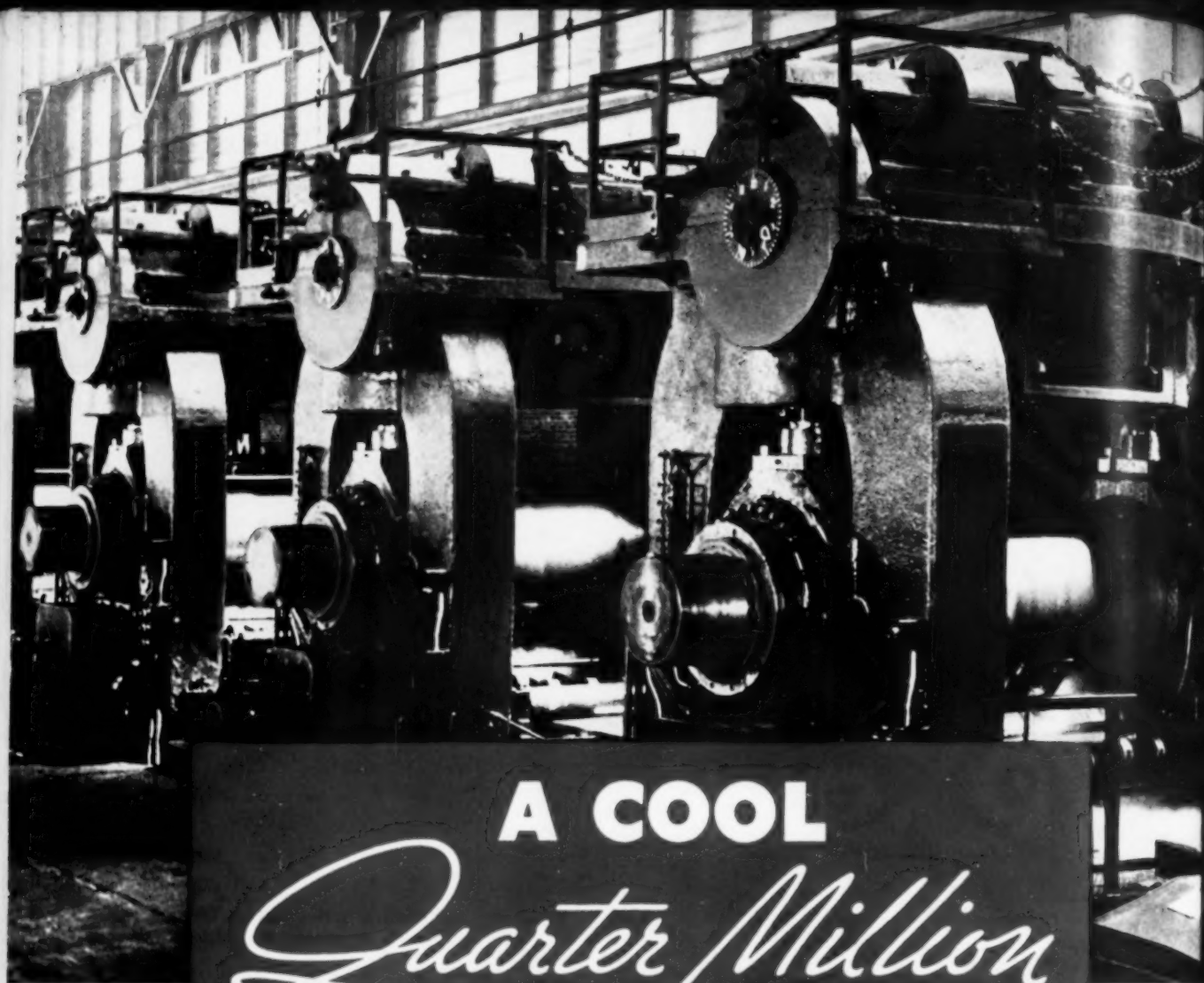


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**EVERY MAN A DRINK**—Louisiana's dictator, wealth-sharer and friend of the peepul gives New York—and all the world—the lowdown on what there is to (1) a Ramos Gin Fizz, (2) Huey Long. One sip and one look tell the story.

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# A COOL *Quarter Million* IN BEARINGS!

*\$227,000 worth in Inland Steel's Strip Mill  
run smoothly on Socony-Vacuum Lubricants*

**H**UGE ROLLS flatten hot slabs of metal in this great strip and sheet mill. Gigantic bearings—76 of them—are necessary to stand the enormous strain.

Should one fail, the entire mill, with a monthly production capacity of 50,000 tons, must stop—and \$5,000 an hour is lost until it starts again.

These 76 bearings—each an intricate mechanism in itself—cost \$227,000. Nat-

urally, their lubrication is a matter of major concern to the management.

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every kind of petroleum product. And the Socony-Vacuum engineers place at your service a knowledge of lubrication gained in intimate contact with all kinds of industry the world over.

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A letter addressed to the Socony-Vacuum Oil Company, Inc., 26 Broadway, New York City, will bring a Socony-Vacuum engineer, at your convenience, to discuss the lubrication of your plant.

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# Washington Bulletin

WASHINGTON (By Business Week Staff Correspondents)—On his "better social order" tax bill, President may get the camel's nose under the tent—but he'll have to fight even for that. House kicked measure around this week, and Senate promises to do worse. Though preferring excess profits tax to sliding scale levy on net earnings, both houses will in the end probably vote for establishing opening wedge policy of taxing big corporations at higher rates than small ones. But tax battle looks like the biggest of all struggles between Roosevelt and Capitol Hill. By comparison, White House setbacks on St. Lawrence and World Court were only offside plays.

Highly displeased with House Ways and Means draft, President attacks two ways: (1) impugns motives of House Committee members through his mouthpiece, Senator Harrison, up for reelection and dependent on White House support against Huey Long and Mississippi enemies; (2) launches publicity campaign against 58 thriftiest citizens, though admitting that tax evasions he criticizes would not be remedied by proposed measure.

## Excess Profits Worries

Business seems more disturbed over excess profits proposal than by modified anti-bigness plan so eagerly desired by the President. Critics emphasize tremendous barrier to small, young enterprises, just growing to sturdy proportions, and capitalize on convictions expressed by 2 former Democratic Treasury Secretaries, Glass and Houston, that wartime excess profits tax worked badly.

## Use 1934 Declarations

Unless eliminated by Senate or in conference, profits tax will, as predicted last week, be based on 1934 corporate declarations, which would penalize heavily those corporations which, for immediate reasons, decided to declare minimum capitalizations.

## "Un-glazing" the Bank Bill

In banking bill conference, Administration hopes to eliminate many of Carter Glass's changes, is especially anxious to reduce number of regional bank directors on open market committee and knock out clauses designed to make board nonpartisan. This last is vital, for Senate bill calls for selection of whole new board.

## We Won't Go Home Until—

Congress adjournment predictions continue optimistic. Last spring when *Business Week* was talking August adjournment, most leaders were talking June. Now they're talking August, but early September looks like

## PRO-MONOPOLY TAX?

*Opponents of heavy inheritance taxes argue that plan might backfire—that tax collections could actually prove long step toward monopoly. Example: Forced sale of Ford plant to pay taxes would be likely to attract only 2 bidders, General Motors and Chrysler.*

earliest possible adjournment date, and middle September seems more probable.

## Grand Rapids, Not Detroit

Independent auto parts manufacturers need not worry about Senator Vandenberg's amendment to copyright bill. It was intended to prevent pirating of artistic furniture designs, in interest of Grand Rapids manufacturers. As redrawn it specifically exempts car parts.

## Lewis in a Jam

Despite Congress's failure to jump through Guffey coal bill hoop on schedule, postponement of coal strike came through according to predictions, thanks in part to distress of United Mine Workers' President Lewis over threats of Illinois independent union to go on mining anyhow, regardless of U.M.W. action.

## No Arbitration Wanted

Madame Perkins continues much annoyed with Camden shipbuilders' contention that arbitration cannot take the place of management.

## NRA Reprieve

Reduction of NRA's personnel to skeleton force, promised by Roosevelt in May, proceeds slowly (5,100 at time of Court decision, 2,500 at present) with 452 slated for the ax Sept. 1 and 218 more shortly thereafter. Reason: President hopes for passage of Walsh bill, requiring con-

tractors on government jobs to follow code provisions, wants trained force to supervise.

## Detouring McCarl

House and Senate conferees will approve \$50 millions for purchase of submarginal lands, thus detouring Comptroller McCarl who objected to use of work relief funds for retiring poor farm land from cultivation. Tugwell's current program contemplates retiring 100 million acres, spread over 250 locations in 45 states.

## Death Watch

Greek is meeting Greek in conference on public utility holding company bill. Huddleston is just as stubborn as Wheeler. Death sentence is not the only issue involved, or even the dominant one now as the New Deal fights for the vital right of brain trusters to sit in conferences. Wall Street's joy over expected failure of bill, however, is ill-founded. Very drastic measure will be enacted yet.

## Social Security Impasse

Conferees on old age pensions and unemployment insurance vie with utility conferees in stubbornness, finally agree on a week's holiday while House and Senate members try to compose differences over Clark amendment exempting private pension system. Administration apparently willing to accept proposed compromise providing joint committee study of amendment and guaranteeing reconsideration as separate legislation next session.

## War—But Only in Africa

Military experts say that Mussolini's mired men are merely waiting for end of rainy season to start Ethiopian campaign, provided they have solved problem of water supply for troops and machines by then. Speedy defeat of Selassie's armies before well-drilled and mechanized Italian forces is generally predicted. After that, plenty of trouble for Italy. Garrisoning the country to quell guerrilla warfare would be severe drain on Italian treasury. Diplomats here believe that, although Britain and France may be unhappy, they will not act. Hence, no European crisis or general war.

## The Open Door Shuts

State and Commerce Departments have been keeping mum on protests against Japanese success in diverting business from American and British banking and oil interests in Manchuria and North China, but threatened publicity may force action. National City Bank is reported completely out, with Texaco and Standard Oil operations much curtailed.



# MISSED

## ... A \$50,000.00 PUTT

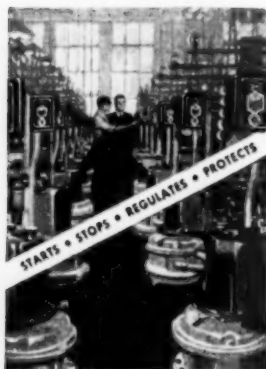
On June 10, 1933, on the seventy-second green of the National Open Match at North Shore in Chicago, Ralph Guldahl squinted over a four foot putt which could either halve the match or lose him the championship which experts said was worth \$50,000.00 to the winner. Thousands breathlessly watched the putt... and moaned to see it miss. A \$50,000.00 putt!

★ ★ ★

**H**OW hard to hit a putt, what direction it should take, of course, are matters of judgment. But whether or not muscles do what the mind decides is a matter of control... If faulty control can lose \$50,000.00 on a golf course, what can faulty Motor Control lose for millions of electric motors in industry? That's a question all persons interested in industrial profits should ask themselves in all seriousness... Thousands of plants have answered this question by rigidly specifying Cutler-Hammer Motor Control for every motor drive. Outstanding builders of motor-driven machines shout their answer by featuring Cutler-Hammer Motor Control in their designs. A host of independent wholesalers stock Cutler-Hammer Motor Control for your convenience. CUTLER-HAMMER, Inc., Pioneer Manufacturers of Electric Control Apparatus, 1275 St. Paul Avenue, Milwaukee, Wisconsin.

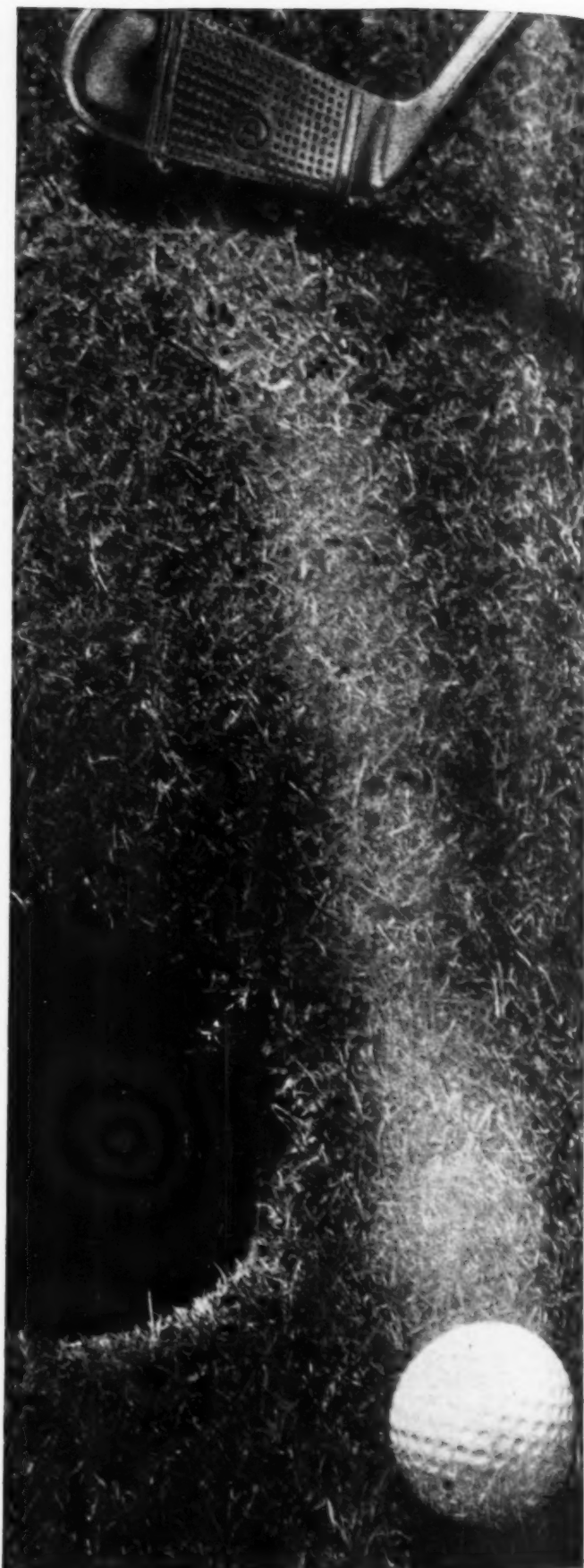


## CUTLER-HAMMER MOTOR CONTROL



### From the Mighty to the Midget

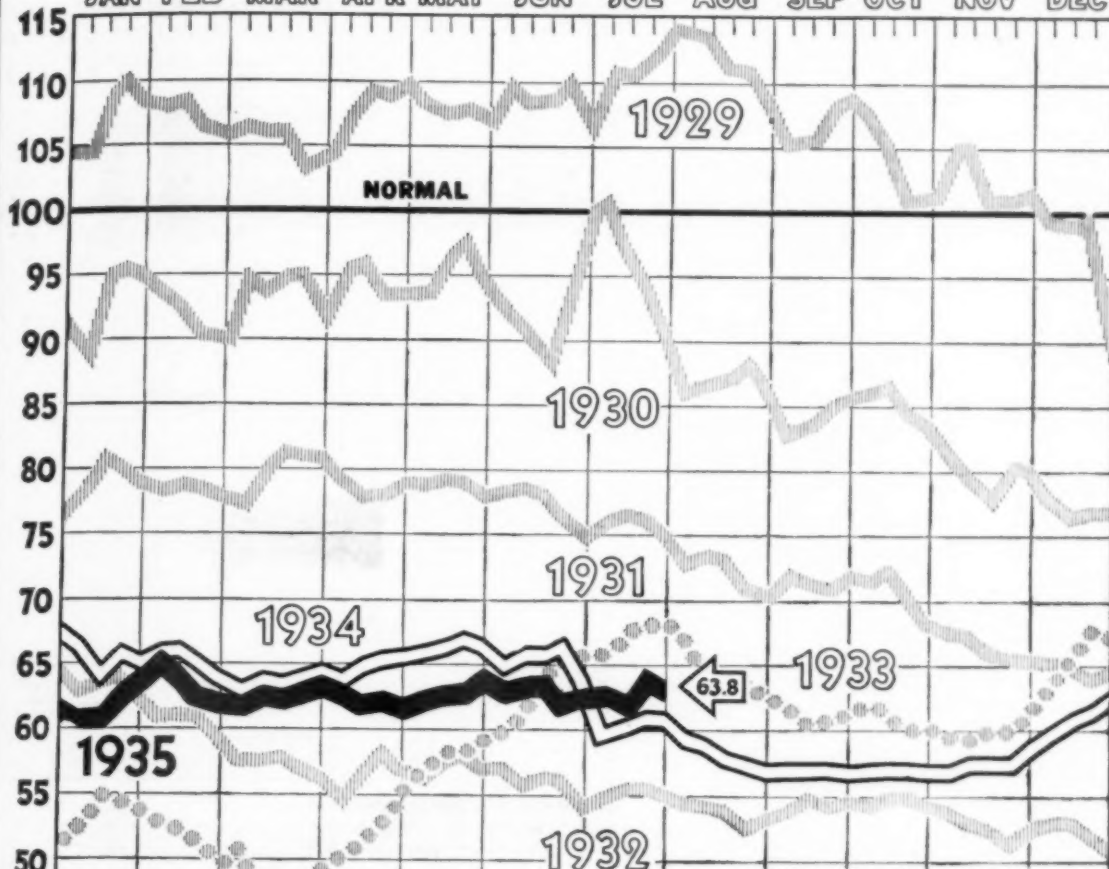
Cutler-Hammer Motor Control starts, stops, regulates and protects electric motors of every size and description. The huge gate controls of the famous Welland Canal locks and the cold control on your own household refrigerator are probably brothers... products of Cutler-Hammer.





# WEEKLY INDEX OF BUSINESS ACTIVITY

JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC



	Latest Week	Preceding Week	Year Ago	Average 1930-34
<b>BUSINESS WEEK INDEX</b> . . . . .	*63.8	64.8	61.3	70.3
<b>PRODUCTION</b>				
★ Steel Ingot Operation (% of capacity) . . . . .	44.0	42.2	26.1	37.0
★ Building Contracts (F. W. Dodge, daily av'ge, thousands, 4-week basis) . . . . .	\$6,045	\$6,012	\$5,554	\$9,816
★ Bituminous Coal (daily average 1,000 tons) . . . . .	*919	769	959	1,073
★ Electric Power (millions K.W.H.) . . . . .	1,824	1,807	1,684	1,625
<b>TRADE</b>				
Total Carloadings (daily average 1,000 cars) . . . . .	99	94	103	115
★ Miscellaneous and L.C.L. Carloadings (daily average 1,000 cars) . . . . .	66	64	64	74
★ Check Payments (outside N. Y. City, millions) . . . . .	\$3,429	\$3,783	\$3,011	\$3,564
★ Money in Circulation (daily average, millions) . . . . .	\$5,509	\$5,538	\$5,310	\$5,123
<b>PRICES (Average for the Week)</b>				
Wheat (No. 2, hard winter, Kansas City, bu.) . . . . .	\$3.99	\$3.95	\$1.00	\$7.72
Cotton (middling, New York, lb.) . . . . .	\$1.21	\$1.22	\$1.31	\$1.02
Iron and Steel (STEEL, composite, ton) . . . . .	\$32.55	\$32.42	\$32.28	\$30.93
Copper (electrolytic, f.o.b. refinery, lb.) . . . . .	\$0.78	\$0.78	\$0.88	\$0.82
All Commodities (Fisher's Index, 1926 = 100) . . . . .	82.6	81.7	77.8	72.2
<b>FINANCE</b>				
Federal Reserve Credit Outstanding (daily average, millions) . . . . .	\$2,467	\$2,473	\$2,461	\$1,798
Loans and Investments, Federal Reserve rep't'g member banks (millions) . . . . .	\$18,718	\$18,762	\$17,728	\$16,880
★ Commercial Loans, Federal Reserve reporting member banks (millions) . . . . .	\$4,449	\$4,471	\$4,445	\$4,893
Security Loans, Federal Reserve reporting member banks (millions) . . . . .	\$2,997	\$3,034	\$3,493	\$3,774
Brokers' Loans, Federal Reserve reporting member banks (millions) . . . . .	\$1,015	\$1,045	\$1,108	\$854
Stock Prices (average 100 stocks, Herald Tribune) . . . . .	\$104.59	\$103.88	\$94.68	\$110.95
Bond Prices (Dow, Jones, average 40 bonds) . . . . .	\$96.91	\$96.96	\$93.55	\$89.64
Interest Rates—Call loans (daily av'ge, renewal) N. Y. Stock Exchange . . . . .	1%	1%	1%	1.5%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City . . . . .	1%	1%	1-1%	2.0%
Business Failures (Dun and Bradstreet, number) . . . . .	221	215	215	431

\* Preliminary † Revised ★ Factor in Business Week Index ‡ 1932-34 average.



# BLISTERING DESERT SANDS 22-TON PAYLOADS—CLOCKWORK SCHEDULES ... BUT THE TIRES NEVER COMPLAIN!



## Long Hauls to Colorado River Aqueduct Prove Tough Test of New Goodrich Tire Invention

At a siding in southern California, heavy truck and trailer units take on loads of 22 tons of bulk cement. Then from below sea level—up stiff grades through canyons and on across the desert—goes this modern caravan. Bound for the Colorado River Aqueduct. One hundred and twelve miles a trip. Four trips a day. With temperatures as high as 130°. Sands are blistering hot. Loads are heavy. There's plenty of braking.

It's all in the day's work for the Southern Pacific Motor Transport Service. And it's just another job for Goodrich Silvertowns!

### New Tire Invention

Everywhere these new Triple Protected truck tires are setting new records for low cost mileage—for freedom from sidewall "Failure Zone" breaks.

Tires that have proved themselves in the California deserts can handle your job better, too. Don't put off

getting the whole story of the amazing new Goodrich tire construction principle from your local dealer.

Triple Protected Silvertowns actually check 80% of all premature failures! Here's why:

**1 PLYFLEX**—a new, tough, sturdy rubber material with greater resistance to stretch. A layer of Plyflex in the sidewall prevents ply separation—distributes stresses—checks local weakness.

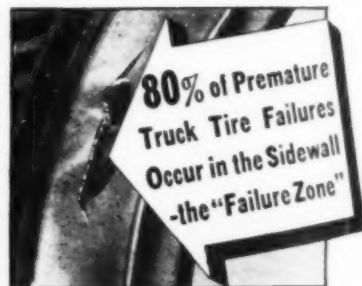
**2 PLY-LOCK**—the new Goodrich way of locking the plies about the bead. Anchoring them in place. Positive protection against the short plies tearing loose above the bead.

**3 100% FULL-FLOATING CORD**—Each cord is surrounded by rubber. With ordinary cross-woven fabric, when the cords touch each other, they rub—get hot—break. In Silvertowns, there are no cross cords. No friction.

This expensive development costs you nothing extra. You pay no more for Silvertowns than for other standard truck tires.

### FREE! 44-PAGE HANDBOOK FOR TRUCK OPERATORS

Every truck owner, every driver should have this big 44-page handbook. Gives commodity weights, tire load capacities, inflation schedules, dual spacing chart, load analysis and other useful information. No obligation. Write for free copy. Dept. T-82, The B. F. Goodrich Company, Akron, Ohio.



# Goodrich *Triple Protected* Silvertowns

SPECIFY THESE NEW SILVERTOWN TIRES FOR TRUCKS AND BUSES

# The Business Outlook

DESPITE threatened political and economic upheavals abroad and tax upheavals at home, business on the whole is maintaining a good pace for summer months. Forecasters who so glibly broadcast a greater than seasonal decline for the mid-year period are now quietly revising their estimates upward.

Current stability is all the more surprising because artificial controls were largely removed when NRA ended. Neither prices nor wage rates have been slashed. Moreover, the summer revival hinges largely on durable goods—steel, machinery, tools, construction. Though retail trade has been stimulated by warm weather, such consumer goods industries as cotton textiles and shoes have found the going hard.

## Steel Confounds Prophets

Steel continues to confound observers by its steady improvement. August production opens at 44% of capacity, highest since April. If such activity can be continued—and the chances are better than fair—prices may be able to put up a stiff front. Power production is still expanding to new high levels for the year.

## Coal Left to Guess

Successive strike postponements have completely disrupted normal coal production trends. Prior to the July 31 strike threat, output was expanding. Postponement at the last minute to Sept. 16 leaves the industry in the grip of uncertainties several weeks longer.

## Check Payments Drop Index

Carloadings are following the usual third-quarter trend—slightly upward—but at levels below both 1933 and 1934. Check payments declined sharply from the preceding week, with depressive results in the *Business Week* index for the week ending July 27. Compared with a year ago, they tell a more encouraging story with an 18% gain. Of particular interest to those selling in the industrial East are the 27% gain over 1934 in New England towns, and the 24% one in the New York Federal Reserve district. These regions have long trailed other sections of the country.

## Car Makers Buying

Rising steel scrap prices in virtually all markets strengthen the belief that steel will avoid the customary summer slump. Automobile customers still lead the buyers, but at a lower level than earlier in the season. Unexpected retail car buying has forced manufacturers to maintain as-

## FOREIGN TRADE

*Foreigners bought 1% less from us in the first half of 1935 than in the same period of 1934. We bought 15% more goods from them. High prices for our cotton, tobacco, wheat, and meats discouraged our export trade; better business conditions plus foodstuff requirements stimulated our purchases abroad. But our June exports rose after declining 2 months, while our imports dropped sharply.*

semblies at a better pace than originally scheduled. Tin plate mills are operating at 88% of capacity.

Farm implement and tractor plants are still calling for steel. Machine tool makers did a better July business than they expected, considering the exceptional June volume. And most impressive is demand coming from a large group of miscellaneous steel consumers whose combined purchases have contributed so substantially to current expansion.

## Structural Steel Outlook

Structural steel business still runs below last year's tonnage, but better prospects from industrial and commercial building programs improve the outlook. One source estimates that 35% of July's structural tonnage went into this division. As the tabulation on page 11 of this issue indicates, durable goods industries have led in plant expansions this year compared with last.

## More Plant Expansion

Bethlehem Steel awarded a \$5-million contract in June for a continuous cold-rolling process mill for tin plate production to Mesta Machine Co., which should lift that company's bookings above capacity for the remainder of this year. Republic Steel is now modernizing its Canton plant at a cost of \$850,000. Solvay Process Co. is expanding its Hopewell, Va., plant. Electro-Motive Corp., a General Motors subsidiary, has half-com-

pleted its \$2-million plant near Chicago to produce diesel-electric locomotives, starting in November. General Motors Acceptance Corp. will extend instalment credits to railroads.

## Protest Foreign Steel

Steel men hustled to Washington last week to protest foreign preference on government jobs where foreign prices were more than 15% under domestic. They got scant welcome. Though imports for the first 5 months of 1935 were under 150,000 tons, less than 1% of our steel and iron output in the same period, May imports of iron and steel, excluding pig iron, on which there were no tariff changes, jumped 18%. Where the Belgian treaty reduced import duties, steel products entered in larger volume than a year ago.

## Truck Sales Shoot Up

Truck sales in June were the best in over 5 years, even exceeded June, 1929. First 6 months sales in the United States, based on registrations, totaled 254,063, a 30% gain over the same period of 1934. Passenger car sales in the first half of 1935 totaled 1,461,940 compared with 995,555 in the first half of 1934, a 47% gain.

## Where's That Slump?

Manufacturing output in June, measured by the Federal Reserve Board, and adjusted for seasonal changes, remained unchanged from the May level at 84% of the 1923-1925 average. Motor, cement, and tobacco production expanded more than is customary for the period, offsetting declines in textiles, food products, and leathers. The extraordinary activity in hard and soft coal fields in June, following strike threats, plus free-wheeling in crude petroleum production, boosted mineral production from 89% to 98% of the 1923-1925 average. In the first half of 1935, manufacturing output was 5% greater than in the same period of 1934; mineral output, 3% greater.

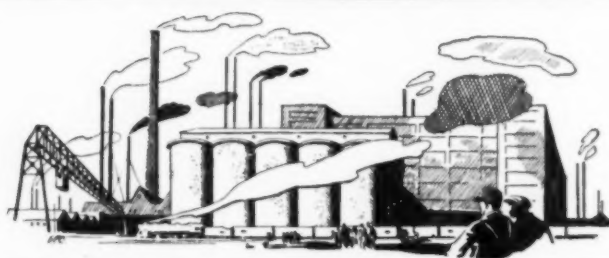
## Farm Income Promising

Farm income in June declined from May levels, but kept well above 1934. Income from farm products, \$438 millions, was enhanced by \$49 millions of benefit payments, making a total cash income of \$487 millions. Year ago, farm products netted \$422 millions, benefits \$29 millions, total \$451 millions. With injunctions against process tax payments piling up, AAA tax collections are dwindling. Implement manufacturers are not worrying about this yet, feeling that marked improvements in crop situations will not be upset either in 1935 or 1936.



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a major commodity  
in modern business



CALL it what you like—native intelligence, common sense, sagacity, shrewdness—or horsesense. It is that element in business which keeps molehills in their true perspective—and mountains in theirs.

It puts results above technique. It favors fact over hunch or prejudice. It picks market research over guesswork as a guide to production schedules, style lines, price ranges, consumer appeals.

In advertising, as nowhere else perhaps, horsesense pays. Here it holds that being *right* comes ahead of being different or clever. It relies more on time spent checking plans before they're used than on words spent to vindicate them afterward. It commits an agency to the proposition that a client's dollars are not for "spending," but for shrewd investment when and where there's a clear-cut selling job for them to do.

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EACH OFFICE AN AGENCY IN ITSELF, EQUIPPED TO GIVE FULL SERVICE TO CLIENTS: New York, Chicago, Cleveland, Detroit, Denver, San Francisco, Seattle, Portland, Ore., Los Angeles, Vancouver, Toronto, Montreal, Winnipeg, London, Paris, Frankfurt, a. M.

# BUSINESS WEEK

AUGUST 3, 1935

## The Tax Bill—What It Means

Roosevelt's lieutenants in House produce hybrid version, which menaces big estates and tends to kill incentive, but lets corporations off fairly easy. Yet it's a signal of stormy weather for "bigness."

THE wealth-soaking tax bill (congressional version No. 1) already shows the hybrid characteristics that come from compromising. The House draftsmen stayed within the spirit of the President's share-the-wealth message, but grafted on a semblance of revenue-producing provisions.

They retained the Morgenthau inheritance-tax idea that keystoneed the President's program for breaking up concentrations of wealth, and they raised surtaxes. In both respects, however, they went beyond the "very rich" and "very big incomes" Roosevelt talked about.

But the real revisions of his program started on corporation taxes. Only the spirit of the Roosevelt proposals for breaking up the big ones was kept—by a 1% differential in favor of corporations with not more than a \$15,000 annual income. And something was added that he had not proposed at all—an excess profits tax. This is expected to produce more revenue than any other new provision. And it is considered the fairest way to levy on corporations, if there is any fairness in collecting from stockholders at the source.

### Not Much Revenue

Even so, the President's House lieutenants could do little in the way of gaining revenues. The estimated addition of \$278 millions would carry federal activities just 10 days at the current rate of spending, and would reduce the expected 1936 deficit by 7%.

The politically easy but economically dangerous inheritance tax came the nearest to getting wholehearted sponsorship from the framers of the bill. Exemptions would only apply to legacies as low as \$50,000 to immediate relatives, and \$10,000 to outsiders. Beginning at 4%, the rate would rise to 75% on inheritances of \$10 millions and more.

There is also a gift tax, with rates three-fourths as high as those on inheritances. This would penalize the anticipatory distribution of estates.

To some extent, the bill would even get at gifts that had been made before it went into effect, because in any subsequent gift the tax rate would depend on the total of the gifts received till then.

Washington likes the inheritance and gift taxes because they produce the least squawking among the voters. But business is afraid that these taxes will cause excessive liquidation, which will cause deflation—too much like the price-shattering deflation of 1929-33, which early New Deal maneuvers were designed to arrest.

It was pointed out that a net estate of \$100 millions would be reduced to \$58.4 millions by the present estate tax, which rises to 60% on amounts above \$10 millions. Under the new tax plan, this residue of \$58.4 millions could be subjected to additional 75% inheritance taxes if it were divided between as many as 5 beneficiaries. Thus only \$14.6 millions would be left. More than 85% of the estate would have to be converted into cash to pay taxes.

Contemplation of what that kind of

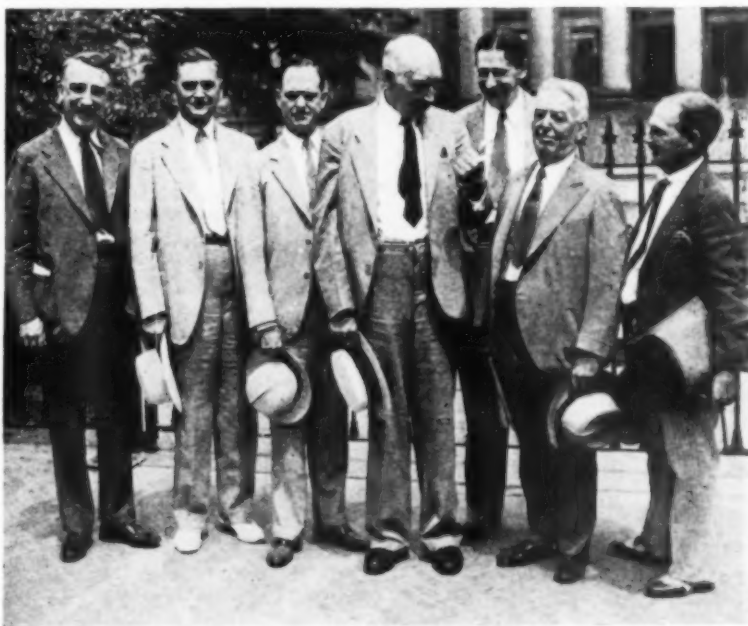
liquidation would do for a few big fortunes, should their owners die before preparations could be made, is enough to make the financial community shiver.

The bill acknowledges the consequences of forced liquidation, by allowing postponement of the inheritance tax for a maximum of 10 years, where bond to assure payment is provided.

In considering the rich man's preparations for the taxes to be paid on his death, it is pointed out that such taxes tend to kill incentive. Attempts to put estates in liquid form would replace the urge to amass more wealth, make the wealthy man start drawing in his horns earlier in life, destroy the drive to build big enterprises, reduce the supply of venturesome capital, and boom annuities at the expense of business investments.

### Hitting the Fairly Rich

A gesture toward broadening the individual income-tax base was incorporated in the bill by the House, which got quite away from the original Roosevelt idea of soaking only the incomes of \$1 million and more. The House bill proposes to reach down to \$50,000 incomes with higher surtaxes, jumping the rate 1% to 31% in that bracket, and grading up rapidly to a 73% basis on \$1 million incomes, which carried the



HOUSE STRATEGY BOARD—Given their orders to push the tax bill through, members of the House Ways and Means Committee, headed by Chairman Robert L. Doughton (center), pause outside the White House for a little last conferring with Charles West (third from right), President's contact man, and L. H. Parker (right), Internal Revenue expert, before returning to final work on the bill.

top 59% rate in the 1934 revenue act. Two additional brackets would be added to catch incomes of from \$2 millions to \$5 millions at a 74% rate, and those above \$5 millions at 75%.

The entering wedge for a bigness tax is provided in a proposal for 2 corporation income-tax rates. This is important merely because it would establish the precedent of differentiation, and so open the way for greater differentiations in the future.

Business interests also recall the President's proposal that, at some later date, dividends received by corporations should be made taxable. This, in addition to a penalizing income-tax rate, could jeopardize the big corporations.

To begin with, a tax increase from 13 $\frac{3}{4}$ % to 14 $\frac{1}{4}$ % on all corporate net income above \$15,000 is proposed. Incomes under \$15,000 would get a reduction from 13 $\frac{3}{4}$ % to 13 $\frac{1}{4}$ %.

#### Sliding Tax Rate

This differential catches the relatively few big corporations that report the bulk of net income, and it spares the multitude of small ones that are not important taxpayers anyway. Notice how it would have worked in 1931, which was a year somewhat comparable to 1935:

Income Class	Number of Corps.	%	Income (millions)	%
None	283,806	61.7		
Under \$15,000	159,500	34.7	\$ 348	9.9
Over \$15,000	16,398	3.6	3,335	90.5

To such a degree, the House Democratic draftsmen were willing to go along with Roosevelt in his anti-bigness campaign, in order not to embarrass him. They took this stand despite the storm of protest from the millions of voters that own the big corporations.

#### Small Firms Get Profits

Study of the corporate income figures discloses that a flat rate on corporations has really been a penalty on size during the last few years, by taking a larger share of the earnings of big corporations than of small ones, since among the corporations that had earnings, the smaller ones showed greater return on investments.

The House bill seeks to get some of these greater returns by an excess profits tax, which would start at 5% on profits of 8%, and run up to 20% on 25% profits. The rate of profits is to be figured on the adjusted declared value of capital, a figure the Treasury already has because corporations have been required to declare a fair value as a basis for assessment of the tax of \$1 per \$1,000 capital stock, under the 1934 revenue act.

Treasury experts calculate that the profits tax should raise \$100 millions of annual revenue; the inheritance taxes \$93 millions; the gift tax \$25 millions; the higher surtaxes on personal incomes \$45 millions; and the higher tax on big companies only \$15 millions.



**END OF RELIEF REVOLT**—When investigation revealed that South Dakota farmers could not get harvest help because the unemployed preferred their dole, state authorities did the only thing they could: they shut off all federal and state relief for employables. Six other states took similar action in farm areas.

## New Deal on Conferences

**Garner breaks precedent in selecting senators to settle differences with House—and the Brain Trust sits in.**

JUST when the public, for the first time in a generation, had a chance to get a liberal education on the value of seniority in Congress and on why the multi-service-striped boys always run the machine, Cactus Jack Garner comes along and shaves the hoary-whiskered legend!

At a time when controversial issues have thrust the conference system into the limelight as seldom before, he is appointing conferees to settle differences with the House to suit himself, or more accurately to reflect what he regards as the majority view of the Senate. There has been no particular protest about this, for in every instance his appointees have in fact represented the majority view. Had it been otherwise in any instance, a mere motion would have resulted in the Senate's naming the conferees by vote. Which explains why the Senate takes this upsetting of an old tradition lying down.

#### What They Say Goes

Seldom before has the country had such a vivid picture of how legislation is really settled—not on the floor of the House or Senate, not even in the House or Senate committees prior to bringing the measures on the floor, but in the conference between the two houses. After the conferees get through, assuming they ever agree (and the probability is that conferees will

agree on all bills this time) there is nothing much for the mere memberships of the House and Senate to do except take it or leave it. Generally it has been take it, as it will be this time.

Technically the Speaker of the House appoints 5 members of the House, and the Vice-President names 5 members of the Senate to confer and adjust differences in texts and ideas in the measure which the 2 houses have just passed. Sometimes it is only 3. In very important measures, particularly tax bills, it is 7. Always the majority party has one more conferee from each House than the minority.

#### Seniority Has Ruled

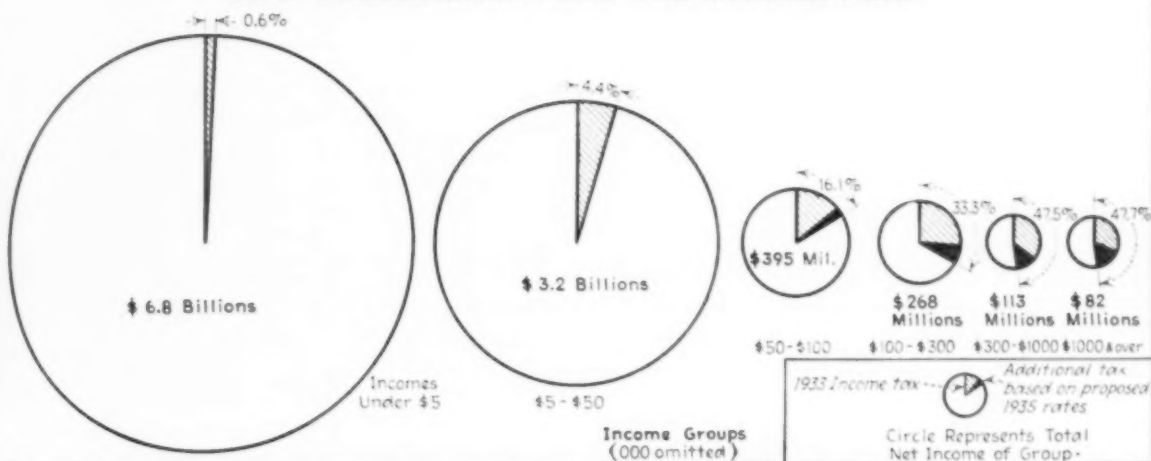
Normally in the past no discretion has been exercised by the presiding officers in making the selections. Almost invariably ranking members of the committees which handle a bill have been appointed to the conference. Bearing in mind that rank on a committee is almost invariably obtained by length of service on that committee, the value of seniority is apparent. The boys who keep getting reelected, and manage to get on the right committees early, run the show.

Vice-President Garner had an early illustration of the absurdities this rule sometimes effects; for instance, when he was naming conferees on the "pink



# THE HOUSE TAX BILL—WHO AND HOW IT HITS

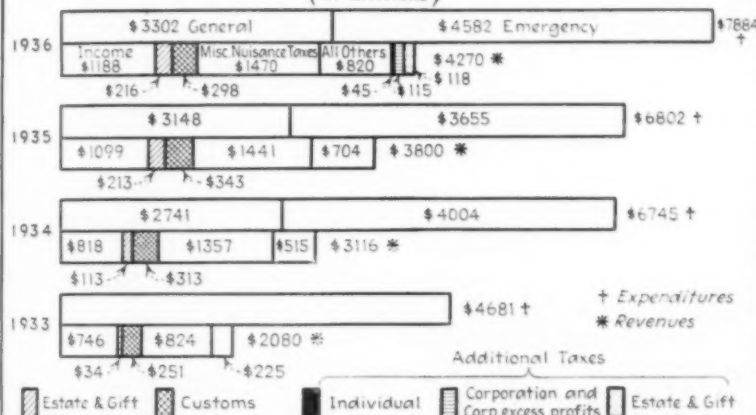
## HOW WASHINGTON CUTS THE INCOME PIES



RESLICED—Each pie is proportioned to total 1933 incomes of designated groups. Shaded slices indicate percentage taken by government; black slices show proposed surtax increases would reach (on '33 basis) only 7,974 of 3,660,105 taxpayers.

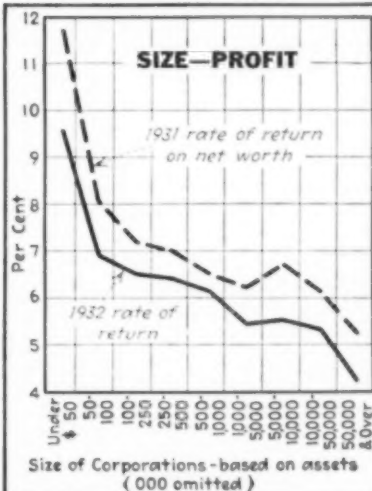
## SMALL CHANGE FOR DEFICIT

(in Millions)



PICAYUNE—House proposals to get \$278 millions more revenue from the Roosevelt taxes will not go far against the estimated \$3,892 millions '36 federal deficit.

## SIZE—PROFIT



SLIDING TAX—Ignores fact smaller firms reporting a net outturn big ones.

## WHO OWNS AMERICAN BUSINESS?

Number of Stockholders				Number of Stockholders			
Company	Current	1929	Increase	Company	Current	1929	Increase
American Tel. & Tel. Co.	675,027	469,801	43.7	Curtiss-Wright Corp.	85,226	47,491	79.5
General Motors Corporation*	350,164	198,600	76.3	International Nickel Co. of Canada	83,054	54,241	53.1
Radio Corporation of America	271,127	60,000	351.9	Kennecott Copper Corp.	74,910	45,996	62.9
Pennsylvania Railroad Co.	232,513	196,119	18.6	Canadian Pacific Railway Co.	72,741	52,392	38.8
United States Steel Corporation	191,261	120,918	58.2	National Dairy Products Corp.	72,735	31,074	134.1
General Electric Co.	184,973	60,374	206.4	Consolidated Oil Corp.	69,708	39,167	78.0
Anaconda Copper Mining Co.	118,094	78,999	49.5	Standard Oil of California	69,114	57,300	20.6
Electric Bond & Share Co.	115,250	68,010	69.5	North American Co.	64,110	37,718	70.1
Standard Oil Co. (of New Jersey)	134,136	92,758	44.6	Commonwealth Edison Co.	63,690	36,024	76.5
Packard Motor Car Co.	109,934	30,000	266.4	General Foods Corp.	60,000	17,720	238.6
Standard Brands	109,000	50,613	115.4	New York Central Railroad Co.	59,109	52,722	12.1
United Corp.	106,648	21,685	391.8	Columbia Gas & Electric Corp.	54,593	32,000	70.6
United Gas Improvement	101,691	57,730	76.1	Union Carbide & Carbon Corp.	53,217	28,780	84.9
Consolidated Gas Co. of New York	96,299	75,000	28.4	E. I. duPont de Nemours & Co.	51,865	25,470	103.6
Standard Oil Co. (of Indiana)	92,440	81,022	14.1	Union Pacific Railroad Co.*	48,503	46,450	4.4
Public Service Corp. of New Jersey*	88,525	83,720	5.7	F. W. Woolworth Co.	48,405	20,000	142.0

THEY WHO GET SLAPPED—Scratch a big corporation with a "bigness tax" and you find a multitude of little investors, increased since the crash. Here's a sampling of common stockholder lists (except where \* indicates all classes).

Business Week

slip" income tax publicity repeal bill. He named the 3 ranking Democrats of the Senate Finance Committee, Harrison, King, and George; also the two ranking Republicans, Couzens and Keyes. So far all strictly according to Hoyle. But Couzens was not in sympathy with the repeal, so he announced his resignation from the floor. Garner at once appointed the next ranking Republican, La Follette. The Wisconsin man shared Couzens' views—also resigned. So Garner appointed the next ranking Republican, Metcalf.

Still according to Hoyle. But there was the idea, and Garner announced he would exercise his own discretion in future.

Contrary to some newspaper accounts, he has not tried to use this power to impose the will of the White House on conferences. It seemed so in the public utility bill. But, after all, the Senate had voted for the death sentence, even if only by a majority of one. So Garner threw seniority to the winds. He appointed Wheeler, the chairman, skipped Smith of South Carolina and Wagner of New York to pick Administration wheelhorse Barkley, and then skipped Neely, Dieterich, Lonergan, and Long to pick Brown of New Hampshire.

On the minority side he skipped ranking members Couzens, Metcalf, and Hastings, picked White. Then he ignored Davis and picked Shipstead, who is not a Republican at all.

On the TVA bill Garner took the list of conferees from Norris, daddy of

Muscle Shoals. On the banking bill he permitted Glass to name them.

However, the real New Deal on conferences is having Brain Trusters sit in on them.

"First the Frankfurter boys write the bills," said an old fashioned and much annoyed senator. "Then they sit in with the committees. Then they sit on the floor and check votes. Then they sit in the conferences. Next I suppose they will sit in with the President, to make sure he signs on the right line."

Which, with Garner's precedent-breaking, is why the utility bill conference has been getting nowhere so fast.

## Insurance Problem

**Hiram Walker fire raises question courts may have to answer.**

DID the wall collapse before or after the fire started? That is what Hiram Walker & Sons and the Western Factory Association, a group of fire insurance underwriters, both want to know about last week's \$3-million fire at Hiram Walker's Peoria, Ill., liquor distillery, largest in the world. It may take the courts to figure it out.

Hanging on the facts to be dug out of the disaster is the important question of liability on the part of the insurance group. The standard fire contract contains a clause providing for immediate cessation of all fire insurance on a building and its contents if the building, or

any part of it, falls, except as the result of fire.

The Hiram Walker rack warehouse, containing thousands of barrels of whiskey, was a new one, erected on made land. Either before or after the collapse of a wall, an explosion occurred, and a fire followed which swept right into the big distillery's main plant. It was the fourth big distillery fire in the last year. Schenley and Penn-Maryland and the Empire Distillery of Philadelphia each have had one.

Insurance people frequently stretch their own rules to favor the assured. In most doubtful cases under the collapse and fire clause, insurance has been paid without much argument. But there's a lot of money tied up in the question of whether Hiram Walker's warehouse was an adequate, sound building.

## Sole of CCC

**It's going to be rubber and the Tanners' Council is indignant.**

BOOTS, which provided a theme for Kipling, are very much in the thoughts of the Tanners' Council these days.

It seems that last spring CCC made an experimental purchase of 3,000 pairs of shoes with rubber composition soles, just to see how they would compare with the leather-soled army shoe. They stood up so well that CCC, with an eye to a possible saving of from 20¢ to 25¢ per pair, plans to order several hundred thousand more.

The council, horrified, pointed out that such a step would injure not only the tanners, but also the much-harassed farmer. And what about those 2 million hides from drought-stricken cattle bought by the Federal Surplus Relief Corp.? Shouldn't some use be made of them? Besides, the Army and the Navy have always used leather soles, and no good could come from substituting a material of foreign origin.

CCC, still mindful of that price differential, insists that composition soles stand up, and adds that they result in fewer slips and falls, a classification that covers about 25% of all lost-time accidents.

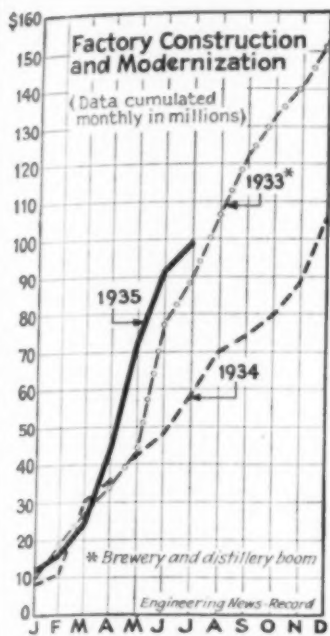
## French Climatobloc

AIR CONDITIONING has come to France. A French company is offering "climatobloc" in units ranging in price from 10,000 to 20,000 francs (\$660 to \$1,300). Installations have been completed in board rooms of the French railroads, and in the dispatch room of the Union d'Electricité, one of the largest French utilities.

Europe has been slow in adopting air conditioning. It's almost unknown in Paris. With a domestic product on the market it may become popular, though the slump has particularly hit the smart couturiers and the Rue de la Paix luxury shops, where in better days it would surely have been installed first.



**LOOK AT THE GIRLS FIRST**—See them, down in the corner, thumb to nose? Well, the objects of their disaffection are some of the men shown entering the yard of the New York Shipbuilding Corp. at Camden, N. J., under police escort, when it reopened after an 11-week strike. But only a few hundred braved the thousands of pickets; so the yard shut again.



## What Industries Are Expanding or Modernizing Construction Contracts Awarded—First 7 Months

Industry	1934 (000 omitted)	1935	% Change
<b>Transportation Service:</b>			
Railroads	\$790	\$208	- 74
Automotive	3,819	2,419	- 37
Aircraft			
<b>Public Utilities and Other Power Plants</b>	895	1,341	+ 50
<b>Process Industries</b>	15,157	24,263	+ 60
<b>Food Industries</b>	14,427	11,460	- 21
<b>Metal Refining and Rolling</b>	12,093	36,015	+198
<b>Metal Working Plants:</b>			
Automotive Factories	175	510	+191
Aircraft Factories	30	300	+900
Foundries	221	1,182	+435
Machines and Machined Parts	2,012	3,321	+ 65
Radio		28	
<b>Textiles (excluding rayon)</b>	930	1,046	+ 12
<b>Wood Industries</b>	299	507	+ 70
<b>Miscellaneous:</b>			
General Factories	7,495	16,201	+116
Refrigeration and Cold Storage	409	243	- 41
<b>Total Industrial Construction</b>	<b>\$58,752</b>	<b>\$99,044</b>	<b>+ 69</b>

## Grace Asks More

**Bethlehem president wants higher differential than 15% against foreign steel on PWA jobs. Ickes is suspected of trying to bluff the mills into shaving bids.**

EUGENE G. GRACE has publicity value. A written protest by the American Iron and Steel Institute against a government regulation may not get much attention in the newspapers. A protest by Grace gets plenty.

Last week President Grace of the Bethlehem Steel Corp. emerged from a meeting of its board of directors with a prepared statement. Newspapers published it. He said his attention had just been called to a PWA order, issued by Deputy Administrator Horatio B. Hackett, against which the Iron and Steel Institute had already protested.

### Set of Differentials

The order provides that borrowers of PWA funds *must*, and contractors doing the jobs for such borrowers *may*, use foreign instead of domestic materials when the foreign bid is \$100 or less, and the domestic bid more than 100% higher; or when the foreign is between \$100 and \$10,000, and the domestic more than 25% higher; or when the foreign is above \$10,000 and the domestic more than 15% higher.

Nearly all purchases of steel on PWA projects are in amounts of more than \$10,000. Grace asserted that foreign producers, in spite of the tariff, could sell steel at more than 15% less than

the price of American products, and still make a profit.

Next day a delegation of the Iron and Steel Institute, headed by Walter Tower, visited Deputy Administrator Hackett, in Washington. Hackett is an architect by profession, but he was once in the iron industry himself, having been general superintendent of the Embree Iron Co., of Embreeville, Tenn., from 1914 to 1917, before he quit to become a colonel of field artillery in the A.E.F. Grim, cautious-eyed, with the disciplined manner he acquired at West Point in the early 1900's, and as a second lieutenant in the army from 1904 to 1906, he listened to the protest of the Institute men, which in all essentials was what Grace had said the day before.

Then he spoke. "If you don't like the regulation," he said, "we're willing to rescind it."

The steel men stared at him. "You mean you'd leave us without any differential at all, and let the borrowers buy foreign steel?"

"Yes."

"No, thanks!" said the delegation, and departed.

That same day, President Roosevelt was asked at his press conference what

he thought of the 15% differential. He spoke for almost 5 minutes, defending it, and pointing out that it is an addition to tariff protection.

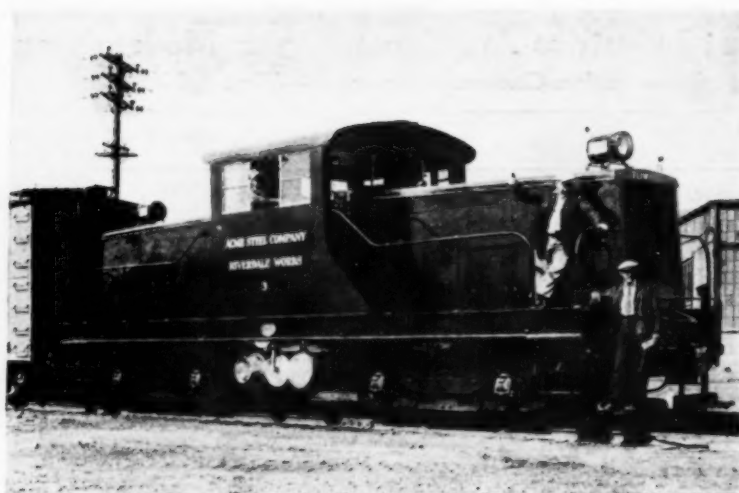
Under NRA, bidders on governmental projects had to certify that they were abiding by labor standards; and as foreign producers were not abiding by such standards, they were automatically disqualified. This disqualification was automatically wiped out as an incidental result of the Supreme Court's NRA decision, on May 27. But 2 days previously, PWA had issued its 15% differential order.

### Peoples Has Another Margin

Since then, Admiral Christian Joy Peoples, chief government procurement agent (who has been buying goods for the government since he joined the navy as an assistant paymaster in 1900), has issued an order providing for a 25% differential on purchases under his jurisdiction, which includes miscellaneous governmental supplies, the construction of all federal buildings, and all purchases for Harry Hopkins' Works Progress Administration.

Roosevelt, Ickes, and Hackett don't know whether they can make the 15% differential stick. They want some roof on steel prices, but they know that the purchase of any foreign materials would produce a heart-rending howl. It is suspected that Ickes is trying to bluff the steel mills into shaving their bids on PWA projects, and that they have started in early to make a noise in order not to be bluffed. The industry is afraid that concessions to foreign countries under reciprocal tariff agreements





**EFFICIENCY PLUS ON BUTANE GAS**—Announced as the first of its kind, this butane switch engine, built for the Acme Steel Co. by the Plymouth Locomotive Works, has demonstrated its ability to perform in 8 hours the work which it previously took 2 steam locomotives 14 hours to do. Cheaper to build than a diesel unit, the butane engine costs more to operate, will nevertheless prove economical at Acme, where butane gas is widely used in plant operations.

may appreciably cut the protection that steel now enjoys.

Incidentally, no foreign steel has been used on any PWA job, except some Belgian pipe an Oregon town had on hand and was allowed to use. In the past 2 years, domestic mills have received orders for \$179 millions (not including machinery) on PWA projects.

## Cement War

**Domestic producers in Brooklyn run into cheap imported product. Battle is not expected to extend inland. Washington expected it.**

A PRICE war between foreign and domestic cement is being waged in Brooklyn. It hasn't yet hit New York, but there are those in the industry in this country who will not be surprised to see it spread to several Eastern seaboard cities. They blame it on the Belgian treaty which lowered the import duty on cement from 6¢ to 4½¢ per hundred pounds. They contend that ship lines, with the present low demand for cargo, are bringing the product over for almost nothing.

Authorities in the construction trades declare there is nothing to rouse undue excitement in the present battle, that the expense of shipping this sort of product inland is so great as to confine any price war to the port cities, and that the tariff reduction is so small that no large quantity is likely to come in once shipping rates return to normal levels.

The Department of Commerce had its own pointed explanation of the struggle even before it broke out. In a discus-

sion of the Belgian treaty when it was announced, it declared:

"A number of products affected by the concessions granted to Belgium are used by the building trades, by other industries, and by agriculture. The prices of some of these products, especially in the building trades, have been maintained in recent years at levels considerably above prices in general and also above prices of other building materials. This price rigidity has reacted unfavorably on the agricultural, building, and other industries utilizing these products. The reductions in duty provided in the Belgian agreement should introduce more flexibility in prices to the advantage of all these industries and to the building industry in particular. Among articles of this type are plate glass, glass sand, cement, and tonnage grade iron and steel products."

## Differential Upheld

**Advertising takes a body blow as Court sustains New York State law in Borden case.**

HOLDING that the New York State milk control law, which permits independent dealers to undersell big distributors by 1¢ a quart (*BW*—*Jun29'35*), reflected "a tolerable policy not to foster the concentration of a whole market into a few hands," a special Statutory Court in New York City this week reaffirmed its original decision upholding the law in the famed Borden case.

In this verdict, handed down by Judge Learned Hand, of the Circuit Court, the 3 justices completely re-

versed Special Master Charles C. Burlingham, whom it had appointed 18 months ago at the express order of the United States Supreme Court to hear complete evidence, in order that the Court's decision might be based on proof of facts rather than on allegations contained in a complaint and answer. The Court accepted Mr. Burlingham's findings of fact, announced last month, but rejected his conclusions of law, *i.e.* that the regulation was "unreasonable, discriminatory, and unconstitutional."

### Court's Answer

With the increasing trend toward governmental price-fixing of products in trade, advertising interests are distressed by the discrimination against advertising inherent in the judges' rejection of Borden's plea that it was entitled to exploit to the full its reputation for milk. Said the Court: "If that reputation tells the truth, its milk is really of a different grade, and the classification (differential) was right. If it does not tell the truth and the plaintiff has been persistently misleading the public, the legislature might neutralize a spurious advantage in order to protect those who have not achieved a similarly undeserved reputation."

Final verdict will probably be rendered on an appeal from Borden's by the Supreme Court next fall; from the tone of the Court's previous order, odds appear a little better than even that the Court will invalidate the law.

## Food Under Fire

**Troublesome Patman inquiry breeds 2 more troublesome investigations of food industry.**

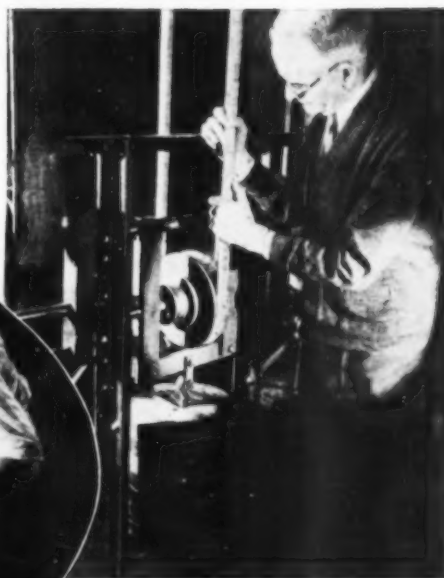
FOOD processors and distributors are wearily resigned to the fact that it never rains but it pours. On the same day last week that the Senate finally approved the AAA amendment for continued federal regulation of the food industry among others, the House Interstate Commerce Committee suddenly snatched from oblivion and sent to the House with a favorable report an old resolution, authorizing a \$150,000 FTC investigation of profits and monopolistic control in the food field, which the Senate had approved 5 months ago (*BW*—*Feb16'35*). Then next day, the Senate voted an amendment to the deficiency appropriation bill to provide \$200,000 for continuance of the FTC milk investigation.

Thus were confirmed the worst fears of industry leaders who have been frankly worried the last few weeks lest the Patman probe into buying tactics of chain stores (*BW*—*Jul13'35*) revive agitation about the high cost of distribution and the middleman's spread.

On an original \$2,500 grant, pre-

# WE PILED ON TENSION —STRETCHED BELTS UNTIL THEY BROKE

*— and found how to make  
them practically stretchless*



*... eliminating the  
stretch in Goodyear  
V-Belts*

*... ferreting out weak-  
nesses on the "belt-  
stretcher"*

**I**F BELT-STRETCH is a problem in your plant, if frequently you have to stop operations to take up drives, these photographs will interest you.

They show how Goodyear engineers have been able to develop belts that remain practically stretchless after months, even years of service — something that was unheard of when Goodyear first tackled the job.

We call these machines "belt stretchers," but they are typical line drives arranged so tension and stretch-wear can be increased by weights.

On them we began testing belting, piling on overloads — 100, 200, 300 pounds extra weight, concentrating weeks of wear into days — until the belts broke under the terrific stretch.

*At first no belt, even Goodyears, stood up over two weeks!*


We tested hundreds of different ply-constructions — with no better results! Then, finally, Goodyear engineers devised a totally new kind of belt in which a core of stout cords impregnated with rubber carried the load, and a heavy cover took the wear.

**Lasts 26 times longer — with  
less stretch!**

From the first it outlasted other belts. As finally perfected it stands up on the "stretcher" as long as a full year, in some sizes, with scarcely any stretch!

This belt is now famous as the Goodyear COMPASS Cord, and

in hardest industrial service it has proved as good as these tests indicated — frequently delivering up to 10 times longer service than belts it replaces, without ever being taken up!

**Specified by** 

That is why it will pay you to investigate Goodyear COMPASS Cord Belts. Maximum service and efficiency are further assured by accurate specification to your particular set-up by the G. T. M.—Goodyear Technical Man. To consult this acknowledged belting authority, write Goodyear, Akron, Ohio, or

Los Angeles, California — or the nearest Goodyear Mechanical Rubber Goods Distributor.

**BELTS • MOLDED GOODS  
HOSE • PACKING**

MADE BY THE MAKERS OF GOODYEAR TIRES

THE GREATEST NAME  IN RUBBER  
**GOODYEAR**

sumably for the purpose of inquiring into the activities of the American Retail Federation, Mr. Patman has commandeered enough private papers and confidential records to discomfort almost every important factor in the field.

#### Real Trouble Ahead

And all this rumpus, they realize, may sound only like a pianissimo prelude, if the Wheeler resolution is approved—as it is quite likely to be—by the House. With a grant 100 times as large, the Federal Trade Commission would be given carte blanche to find out why, how, and with what results 22 companies were able to control 60% of the food volume in 1931. Answers, due July 1, 1936, should provide good campaign material.

Pointed evidence of how the commission relishes this type of muckraking job is supplied in the milk investigation. In April its first report on the Philadelphia and Connecticut milk sheds—the result of 10 months' work—was made public. Among the "scandalous charges" were conspiracy to fix prices, exorbitant profits, high salaries.

Disconcerting as they were, these accusations were considered by dairy interests as something less than original. Angrily, they retorted (1) that prices paid to farmers and charged to consumers were fixed by control boards in both areas; (2) that the implication that the Borden and National Dairy companies were chief monopolistic culprits was scarcely justified, for in Connecticut Borden does only 7.9% business, National Dairy only 14.7%, while in Philadelphia Borden has no milk distribution at all.

None the less, Senate liberals—(Duffy and La Follette of Wisconsin, Wagner of New York, and Costigan of Colorado) were able to convince the upper house of the wisdom of appropriating \$200,000 to continue the survey after the item had been cut out of the deficiency bill.

Although these probes with their attendant publicity are decidedly unwelcome, industry leaders don't get steamed up until actual legislation looms on the horizon. And despite the Patman potter, they're beginning to breathe easy again in the belief that no restrictive legislation—excepting, of course, the long-expected food and drugs bill—stands a chance of passage this session.

## Drug-less Stores

**Coast druggists aroused by threat of new grocery-store-type outlet for popular drug products.**

PERENNIALY at fever point, Coast retail druggists are again running a temperature with the invasion of their domain by a new kind of competitor, the cut-rate serve-yourself, "drugless" drug store, whose kinship with the typical chain grocery market is, they insist, more than one of mere appearance.

One of these units, called the "Pay-Less Store," has opened in Salt Lake City, and another is planned; there are 3 in Oakland, and one each in Portland, Seattle, Tacoma, and Ogden. Ownership as well as management of these 9 stores is shrouded in mystery, but retail druggists are convinced that the whole

brood is by J. L. Skaggs out of Safeway Stores, powerful Coast grocery chain in which Skaggs formerly held a position of vice-president. The report that opening stock for the Oakland units was furnished by the Hudson Duncan Wholesale Grocery Co., which has a financial interest in Piggly Wiggly, Safeway affiliate, furnishes additional fuel for the fires of their suspicion and resentment.

#### Another Thorn in Sore Flesh

Regardless of parentage, their uniform cut-price policy on all popular proprietary and packaged products—the chief stock-in-trade—is a thorn in the very sore flesh of the Coast druggists, long-bedevilled by pinboards, supermarkets, and grocery store poachers. Operating costs are cut to the bone not only by limiting stock to fast moving items, but by dispensing with soda fountains, clerks, and prescription departments.

When the customer enters one of these stores he picks up a small green service basket; on his left are shelves of bottled goods—ginger ale, mineral water, proprietary remedies—and on his right are shelves of cosmetics. Rear of the establishment is generally devoted to soaps and cleansers, and in between are open display tables and floor stacks, à la grocery store.

While the Coast druggists fume and fret over these invaders, the trade in the South ponders a similar problem. Last week, in Montgomery, Ala., the local Silver variety store blossomed out with the first full-fledged drug department to be established in any of the chain department stores. Other syndicate stores have featured 10-cent editions of popular cosmetics and packaged drug products, but Silver's is handling a complete line of proprietary goods, cosmetics, and other drug items, all in full-sized packages. In accordance with state requirements, a registered pharmacist is in attendance.

## Sell and Plug In

**FHA broadens rules to help retailers collect on its modernization credit plan.**

THE dollar-pulling appeal of FHA's home modernization campaign for department stores and other retail outlets was greatly enhanced this week by a new ruling to the effect that installation of several heavy-selling types of household equipment doesn't have to be permanent. The gist of FHA's new policy in its modernization credit drive is—sell and plug in. This covers all types of refrigerators, gas and electric ranges, coal ranges, electric washing machines, ironers, unit air conditioning.

Much of this equipment, particularly refrigerators, has been selling in large



**SPOT SALES PROMOTION**—To make the "Katy" mean something more than just so much trackage and rolling stock, Chairman-President Matthew S. Sloan keeps in close personal touch with conditions in the M-K-T's service area. Flanked by 2 local freight agents, he toured the north Texas onion fields recently, sold growers on a new marketing deal, brought in several hundred carloads of business. With 60 directors and executives this spring, he barn-stormed the system.



## To Fathers of Little Girls



*The Metropolitan issues life insurance in the usual standard forms, individual and group, in large and small amounts. It also issues annuities and accident and health policies.*

*The Metropolitan is a mutual organization. Its assets are held for the benefit of its policyholders, and any divisible surplus is returned to its policyholders in the form of dividends.*



YOU know that there is nothing quite like the bond between father and daughter. It is more than affection. Your little girl looks up to you, confident that you will always take care of her. You want to do everything possible for her welfare—to make sure that she has not only the immediate necessities of life, but that her future will be safe.

You hope to see her reach womanhood and you want to have the happiness of knowing that you have guaranteed safety and security for her up to that point. Perhaps you can go a bit beyond and provide a nest-egg to assure her a good start toward an independent, useful life.

The sure way to do this is through a Life Insurance Program. Then your plans will be fulfilled, even though you may not be here to see them through. A Field-Man will be glad to help you round out a Program of Life Insurance. Telephone to the local Metropolitan office and ask him to call, or mail the coupon.

Metropolitan Life Insurance Co.,  
1 Madison Ave., New York, N.Y. (W)

I am interested in learning more about  
a Life Insurance Program which will protect  
my little girl.

NAME \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_

STATE \_\_\_\_\_

# METROPOLITAN LIFE INSURANCE COMPANY

Frederick H. Ecker, President

One Madison Avenue, New York, N. Y.

© 1933 M. L. I. Co.

AUGUST 3, 1933

15



**NEW AMERICAN MODEL**—This \$9,000 house at Marblehead, Mass., featuring scientific lighting, air conditioning, electric kitchen and laundry, is one of the first on exhibit in General Electric Co.'s drive for construction of 1,200 model dwellings, built from prize winning designs in its recent architectural competition.

volume on FHA's credit terms, with proper attention to the detail of permanent attachment. The list *cannot* be stretched to cover small gadgets such as mixers, fans, toasters, irons, and egg beaters, but an amazing variety of other household equipment is being sold on FHA's time payment insured credit plan under which the local bank advances the money and makes the collections.

The eligible list includes awnings, screens (including the porch); showers, toilet seats, medicine cabinets; kitchen cabinets, oil stoves and oil burners; electric sewing machines; rubber and linoleum flooring; radiator enclosures. Reports received by FHA indicate that in Philadelphia and Boston particularly, department stores are using its modernization credit plan very effectively.

FHA suggested modernization of retail stores themselves as a new lead this week for newspapers to follow up in institutional advertising by stores which may install escalators, air conditioning or other improvements, and in advertising by the equipment companies which do the job. American Store Equipment Co., reports that it has closed \$300,000 of business in the past 3 months.

## Bad Medicine

**Proprietary drug interests campaign for laws against pitchman.**

THAT furtive but unquenchable sidewalk merchant, the pitchman, is under attack.

In New York Tuesday a special committee of the Proprietary [Medicine] Association was told that 2,000 street-hawkers of cure-alls annually divert \$15

millions to \$20 millions from legitimate drug channels. A campaign was launched to induce other states to pass laws like a recent Maryland statute which forbids the sale of patent medicines on public highways.

The National Association of Retail Druggists, National Better Business Bureaus, chambers of commerce, and other groups will cooperate.

The pitchman is the spiritual descendant of the rowdy old medicine showman. An increasing number have been going into the health- tonic racket. A magnificent physique is necessary to create confidence. A brazen flow of oratory is also indispensable.

The stock in trade usually is a psy-

lium seed laxative (private brand), a liniment, and maybe a guarantee cure for the more romantic afflictions, with a side line of sex books. The pitchman works best in street crowds, and at parks and amusement resorts.

## How They Work

The more ambitious pitchmen rent vacant stores in such leisure centers as Atlantic City or Long Beach, Calif. Attention of the sucker is attracted by a sleight-of-hand trick, a "free" offer, a vaudeville performance of some sort, or by sheer force of roaring speech. After the crowd collects and the spiel is delivered, the confederate ("shill") moves in to start the buying. Often he calls, "Hey, doc!" It carries the inference that the hawker is a physician.

Proprietary interests recently got an injunction against a Philadelphia manufacturer who was furnishing questionable drugs to pitchmen. He had a trained force of 80 working cities on the Atlantic seaboard. The pitchman figures to make a hundred 25¢-to-50¢ sales a day for say, 150 days a year. During his layoff he allows his trained vocal chords to re-knit.

Proprietary medicine manufacturers recognize the pitchman as a bit of national fauna which as a class deserves to survive. But they oppose the growing trend of pitchmen to unfair, not to mention downright murderous, methods in selling drugs.

Advertised brands are held up to ridicule or slander. "Poison" is a favorite allegation. Among the victims are such national fixtures as Bayer's aspirin, Ex-Lax, Sal Hepatica, Castoria, Bromo Seltzer, Syrup of Figs, and Milk of Magnesia.

Many cities have ordinances against pitchmen. Local authorities will be prodded into enforcing these.

## G-E Housing Drive

**Campaign for 1,200 "New American" homes is rushed, while Houses, Inc., is taken over in General Electric's promotion of electrified living.**

GENERAL ELECTRIC Co.'s intensive campaign to promote building of electrified homes (and sell household equipment) gathers momentum (BW—Apr 27'35). Already 200 demonstration houses, following winning designs in G-E's architectural competition, have been erected by local builders or are under construction. Some 300 more are in immediate prospect.

The goal is 1,200 of these scientifically engineered "New American" homes, or 1 for each 100,000 of population. Total expenditures will be about \$10 millions. Last Sunday a fly-

ing squadron of 15 men left New York to speed action in centers that have been lagging.

To consolidate its drive, G-E has taken over Houses, Inc. (BW—Dec 15'34). While the ingenious Foster Gunnison (president of Houses, Inc.) was working out the prefabricated, completely electrified house which fascinated selected beholders, Owen D. Young lent support but for policy reasons remained in the background. Now Houses, Inc., comes frankly into the picture and takes the family name.

Houses, Inc., is not going into the

# COMPTOMETER

# accuracy

## LEADS IN EITHER TYPE YOU CHOOSE

WITH the introduction of the New Model K Electric COMPTOMETER to share honors with the Standard Model J, *safeguarded accuracy* becomes available in both machines. Whether you prefer powered or key-driven operation, you can count on either machine for the distinguished performance that has won world-wide recognition for the name COMPTOMETER.

In the Electric Model K COMPTOMETER, automatic protection from faulty key strokes is now available *for the first time* in a powered machine. This safeguard is a most important feature, because the short key stroke typical of such a machine increases the chance of incomplete or accidental strokes. *Only with this control, in either the standard key-driven or the electrically key-responsive type, is maximum accuracy attainable.*

Both the Model J and the New Model K are built to the same high standards of construction, precise performance, and dependability. It is only a question of type. You can take your choice. A COMPTOMETER representative will gladly demonstrate one or both in your own office. Telephone the COMPTOMETER office in your locality, or write direct to Felt & Tarrant Mfg. Co., 1733 N. Paulina St., Chicago, Ill.



THE STANDARD MODEL J

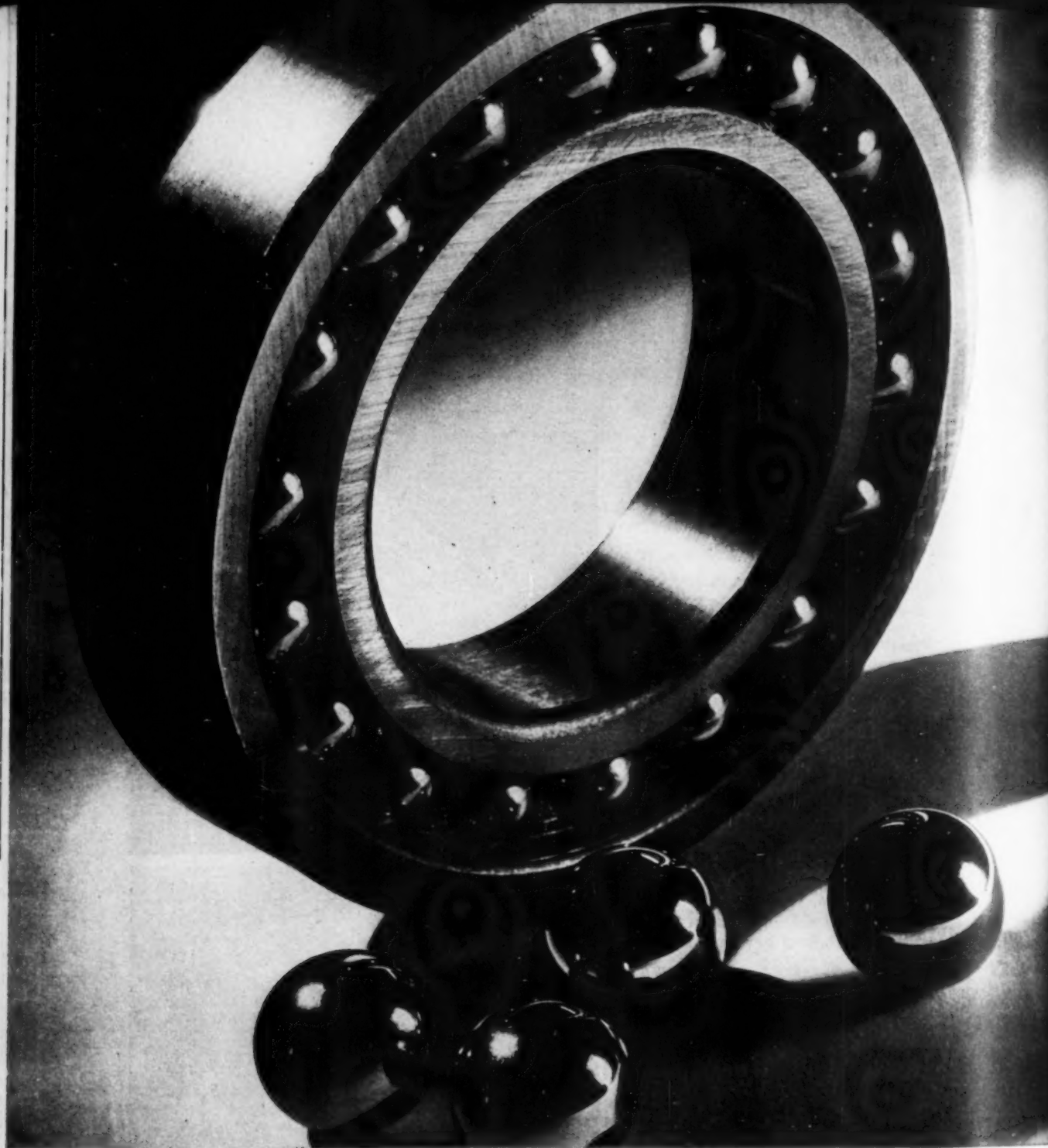


THE NEW MODEL K ELECTRIC

# COMPTOMETER

"REG. U.S. PAT. OFF."





Every story—every article—rounded, tempered, polished for smooth coordination...for the frictionless drive that makes advertising work as pages turn.

THE **American** MAGAZINE

e Crowell Publishing Company...COLLIER'S, WOMAN'S HOME COMPANION, THE AMERICAN MAGAZINE, THE COUNTRY HOME...*Combined Circulation Over 1,000,000*

construction business and neither is G-E. In the new setup Houses, Inc., will aid projects it deems worthy, will conduct fundamental research in perfecting modern housing. But an affiliate of Houses, Inc., is American Houses, builder of the Motohome, a completely prefabricated electrified house. It offers 10 designs ranging in price from \$4,400 to \$15,000. To tap the low-price market a partly-prefabricated house to sell around \$3,000 is planned.

The 1,200 demonstration "New American" houses will be built by orthodox methods under the supervision of architects. Here G-E is furnishing the original impetus for local committees which enlist the cooperation of builders, utility companies, banks, the Federal Housing Administration, equipment dealers, newspapers, etc. G-E equipment must be used in the demonstrators but substantial discounts and credit terms are allowed.

The houses are to be built in residential sections where they can be sold and lived in. Prices complete with electric installations run up to about \$15,000. But deference to the realities of income has led to emphasis on a \$5,500 model. Basic electric equipment (heating plant, air conditioning, laundry, electric kitchen, radio, etc.) is required but complete furnishings may be added.

The exhibition houses are expected to stimulate other construction. Washington, D. C., furnishes an example. Here Waverly Taylor, Inc., is starting 75 homes of which 5 will use G-E "New American" designs. Air conditioning is planned for all. Demonstration houses in all population centers are to be completely early in the fall to synchronize with G-E's national advertising campaign for the "New American home." Local interests will carry through with newspaper advertisements and publicity.

## A Boy in the Back Room

**Charles West, F. D. R.'s popular contact man, won't let Mr. Ickes interfere with his main job.**

A COLLEGE professor who is a good mixer, a Brain Trustee whom the boys in the back room like, a Harvard Ph.D. under Frankfurter's tutelage who is praised by every newspaper man from his own state—that is the rare combination President Roosevelt got in Charles West of Ohio for his liaison officer with the House of Representatives.

In his new \$10,000 job as Undersecretary of Interior—specially created to boost his pay to the congressional salary

he sacrificed to carry the New Deal flag in Ohio's 1934 senatorial primary—West will keep right on being liaison officer. Ickes hopes to use him too. The secretary wants his department's name changed to Conservation and Works, wants the President given authority to transfer Biological Survey and Forest Service from Agriculture, and Fisheries from Commerce, to him. So Ickes would like West to be not only liaison officer, but pro-Ickes lobbyist. However, so long



CONTACTING A \$10,000 JOB—Charles West (left) now sits in with Mr. Ickes as undersecretary but keeps right on in Presidential contact service.

*International News*

AUGUST 3, 1935

*"...frictionless drive that makes advertising work as pages turn"*

*that's why*

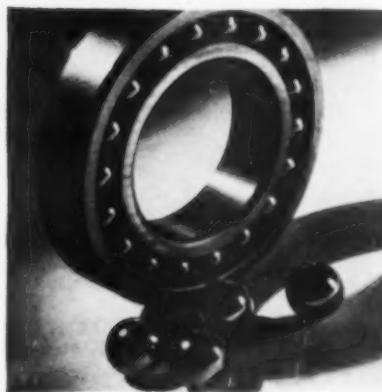
THE **American** MAGAZINE

•••gained an average of 55,808 single copy sales per month (14.7%)—First Quarter 1935 over First Quarter 1934.

•••gained an average of 127,682 total net paid per month—for the same period.

•••averaged 2,017,308 total net paid for the First Quarter 1935—a 217,308 bonus for advertisers over the rate basis.

These are  
the largest gains,  
both net paid and  
single copy, of any  
general magazine,  
monthly or  
weekly



as Congress stays on the job the White House is apt to have so many chores for the Ohioan that Ickes seems doomed to disappointment.

Only 40 years old, West, from his springboard as professor of political science at Denison University, near Newark, O., has long yearned to put into practice the political theories he learned under Frankfurter. He began trying to come to Congress in 1926, actually got the Democratic nomination in the 17th Ohio district in 1928, but was beaten, was elected in 1930, reelected in 1932.

#### Made House Insider

Toward the end of his first term he was chosen by his colleagues to be Ohio's member of the Ways and Means Committee, which is an appraisal of his ability by his colleagues difficult to exaggerate. He was taken up by Garner, Rainey, and Byrns, and made a member of the unofficial House hierarchy.

In 1934, when he could easily have been reelected to the House, he was in-

duced by Senator Bulkley and ex-Governor Cox to run for the Senate. Stated reason: so the New Deal would have a candidate, plus fear that Vic Donahey could not be elected. Suspected by cynics: that neither Bulkley nor Cox wanted Donahey as senator.

Meanwhile, West has engaged in a series of debates on the New Deal, at various Mid-Western towns, with Senator Dickinson. Reports of these debates reaching the White House were that West put it all over the Iowa senator.

So when Donahey beat West, the latter went on the preferred list for some good federal job. When Forbes Morgan resigned from the Farm Credit Administration West was given this job. But that only paid \$8,000, so the new one was created later.

He is very effective either as a public speaker or in private conversations. His

unusually large forehead begins a gentle wrinkling as he talks, until finally, when he gets real earnest, his whole scalp is in motion, causing his thick black hair to move in waves.

Popular with his former colleagues in the House, West has been considered highly effective in circulating the word as to what the President wanted, and taking reactions back to the White House. It is denied that he ever "lobbied," whatever that means. He would just tell the boys what the White House wanted, and, if any were skeptical, would produce a memorandum on the subject initialed "F.D.R." He uses a desk in the Speaker's office, has another little private office tucked away under the dome, and presumably will pay visits to the Interior Building from time to time to get his pay checks, as he did to the Farm Credit offices.

## Glass vs. Eccles

### —Or centralized banking vs. a rewriting of the Reserve Act with odds in favor of the Senator from Virginia.

THE omnibus banking bill at last rumbled into conference this week. On the conference committee conservatives and radicals split about even. The issue between the House and Senate is centralized banking vs. retention of the 21-year-old Federal Reserve System. More plainly stated, it's Glass vs. Eccles.

Senator Carter Glass, friend of the queen bee, banking expert, 34-year veteran in banking legislation, is both the meat and the tabasco sauce of the Senate

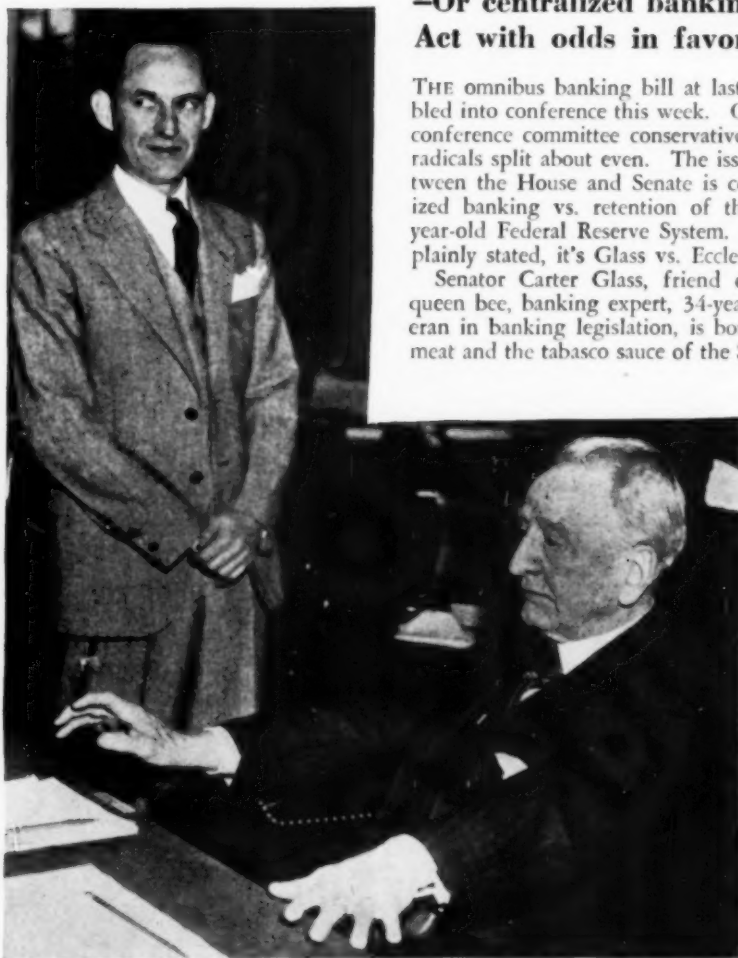
bill. He framed it in subcommittee, steered it through the Senate without a scratch, its passage leaving no marks except for the red welts of the Senator's sarcasm on abashed opponents. None cared to face him on his home grounds. He knows too much about banking, he has the sharpest tongue in 7 counties.

Progress of the Senate bill was delightfully productive of Glass' edged tidbits. He accused Governor Eccles of the Reserve Board of trying, as an infant and a novice on the board, to change the entire banking structure of the country. He referred (not by name) to Winthrop Aldrich, head of Chase National Bank, as a man jealous and hostile to one or two of his fellow bankers and thus against that section of the bill allowing bankers to serve on the board of one bank besides their own. He scathingly denounced the rabbitry of the Federal Reserve Board in 1929 which, he said, permitted a New York banker (the Senate assumed that he meant Charles E. Mitchell of National City) to insult the board to its face.

#### Coughlin Plan Lost

The Virginian did not deign to consider seriously the Senator Nye effort to substitute a central bank bill (spiritual child of radio priest Coughlin) for Title II. And when it was over, the Senate bill was through, without change in words, punctuation, or spirit. Not even the Administration felt up to challenging Glass in public debate. More could be done, it was strongly suggested, in conference.

Title I of the banking bill perpetu-



**THE BOARD AND THE SYSTEM**—Governor Marriner S. Eccles of the Federal Reserve Board this week stood up under a tongue lashing from Senator Carter Glass, father of the Federal Reserve System—and kept his eyes on the conference where his conflict with the Virginian over the banking bill was being weighed.



ates the FDIC. There is little controversy between House and Senate here, except that the Senate would force banks with over \$1 million of deposits to become Federal Reserve member banks and would assess only 1/12% while the House would assess 1/8%.

#### The Main Differences

Main differences between the House and Senate versions are in Title II, with a few in Title III. They are: (1) open market committee—House would give the regular Reserve Board, politically dominated, sole power over open market operations, while Senate would require its more independent Board (Secretary of Treasury and Comptroller omitted) to be supplemented by 5 Reserve Bank officials; (2) open market operations—Senate would require open market committee to buy government obligations in the open market alone, thus avoiding chance for Treasury to force sale direct on Reserve Banks, in effect keeping the Reserve System independent rather than making it an instrumentality of the government as House would like; (3) reserve requirements—Senate would limit changes to not less than existing legal requirements and not more than double; any change to be approved by 5 out of 7 Reserve Board members; but House permits unlimited changes in requirements at dictation of the 9-member Board; (4) rediscount privileges and broadening of banks' authority to make real estate mortgages—Senate is much more strict; (5) Senate would allow Reserve Bank officers to serve on board of 1 other bank besides their own; (6) Senate would permit underwriting by private banks under rigid restrictions (President Roosevelt kicked on this; Senate really doesn't care much).

#### State Banks' Point

First outburst of feeling from conference on the bill came from Representative Goldsborough, who charged that Wall Street bankers were trying to coerce conferees into adopting the Senate version by getting state banking associations to press for it. State bankers did find one objection that had them kicking strongly. They discovered that one provision would allow national banks to disregard state limits on interest, thus removing rate control from state authorities.

Broadly speaking, the financial world finds the Glass bill a good rewriting of the Federal Reserve Act in the light of experience. It provides sufficient centralized authority to obviate mistakes made in the 1920's, yet it does not turn the banking system into an arm of government. Glass derided the idea that the government needed central bank authority so that it might control inflation. He glibed at Eccles as the greatest inflationist in the country asking for power to keep down inflation.

## If *ROBOTS* ran your business



### —honesty would be no gamble

As long as employees are mechanized by "human nature" and not by gears and springwheels, breakdowns will occur in the human machine as they do in any other. The most rigid checks and investigations do not filter out the potential embezzler. Often enough, the criminal himself does not foresee his crime.

Business and banking lose enormous sums yearly through embezzlements and criminal dishonesty of employees. Losses of this kind are usually substantial, in many cases disastrous. And, the only sure way to cancel out this dangerous uncertainty in the human element is to guard against loss by insuring against it.

National Surety's Blanket Fidelity Bond makes good the loss when conscience "goes bad." Repayment, dollar for dollar, is prompt, uncomplicated, unembarrassing. The reasonable premium which buys your company full and adequate protection is a low-cost reserve against the inevitable gamble on "the human element."

There are National Surety representatives everywhere. Each is a specialist in Fidelity, Surety, Forgery and Burglary protection, thoroughly equipped to serve you.

## NATIONAL SURETY CORPORATION

VINCENT CULLEN, PRESIDENT

# 'INCOR' ENDS THIS HAZARD WEEKS SOONER



**S**TREAMLINING and higher speeds on both highway and railroad bring a new and more acute phase to the grade-crossing problem. Timely therefore is the nationwide grade-separation program . . . Because it hardens 5 times as fast as ordinary cement, 'Incor' saves both lives and money. Example: Bridge (above) carries U. S. Highway 6, with high-speed Chicago traffic, over Baltimore & Ohio R. R. near Gary, Ind. Tree-hidden detour (above), used during construction, was specially dangerous. By surfacing bridge approaches with 'Incor', the detour was eliminated 7 days sooner.

So much for lives—now as to money: On bridges built with 'Incor', forms are stripped in one day instead of seven. So one form-set does the work of two or three—reducing form costs 60% to 70%. Job is completed, hazard removed, weeks sooner. 'Incor' is made and sold by producers of Lone Star Cement, subsidiaries of International Cement Corporation, New York; also sold by other cement manufacturers. \* Reg. U. S. Pat. Off.

## 'INCOR' 24-Hour Cement

### Gift on a Platter

Stern's New York *Post* hands Newspaper Guild a closed-shop contract, with check-off for dues.

"FOUNDED 1801 BY ALEXANDER HAMILTON." This line appears daily in the masthead of the editorial page of Julius David Stern's New York *Post*. Last week, for the ten thousandth time since Stern acquired the *Post*, there must have been a powerful shudder in Alexander Hamilton's grave.

For the once conservative *Post* signed a contract with the Newspaper Guild, union of reporters and other editorial workers. And the contract provides for the closed shop. And it provides for the check-off—whereby the employer deducts the employee's dues from his pay and turns them over to the union.

#### Dismissal Notice Required

It also provides for a 2-week annual vacation, and for a dismissal notice, ranging from 2 weeks for employees of more than 6 months' service, up to 3 months for those who have been with the *Post* for 9 years.

The contract applies to all news-room employees except columnists, cartoonists, editorial writers, executives, and secretaries to executives.

The Guild did not win this contract by a struggle; it received it as a gift. Heywood Broun, its president, had good reason for expressing his appreciation to Stern. The New York *World-Telegram* and the other Scripps-Howard papers, for which Broun is a columnist, have signed no agreement with the Guild. No New York paper has signed, though a limited arrangement has been worked out with Joseph Medill Patterson's liberal *News* (under the same ownership as the conservative Chicago *Tribune*, published by Patterson's cousin, Robert Rutherford McCormick, arch-enemy of the New Deal).

#### He Gathered No Moss

Born in Philadelphia 49 years ago, Stern started as a reporter on the Philadelphia *Public Ledger* in 1908. Three years later he became general manager of the Providence (R. I.) *News*. The following year he bought the New Brunswick (N. J.) *Times*, which he sold in 1914 when he bought the Springfield (Ill.) *News*. He soon merged this with the Springfield *Record*.

Later he sold out and moved back east, buying the Camden (N. J.) *Evening Courier* in 1919, and the Camden *Morning Post* in 1926. He still owns those papers, as well as the Philadelphia *Record* and the New York *Post*, which he bought in 1928 and 1933.

The *Record* was the first paper in the country to sign with the Guild. Five other papers, including the *Post*, have since signed, and Stern's Camden papers are on the point of signing.

## Wide Reading

**TODAY'S SMALL HOUSE REQUIRES NEW METHODS.** Ieland R. Reeder. *American Builder*, July. The architect who realizes the greatest profits from the impending boom will be one who plans for his clients low cost living as well as low cost houses. Concrete suggestions for low cost living; for the architect, city planner, and home owner.

**COOPERATION THE KEY.** H. F. Stickney. *Hardware Age*, July 18. An appeal to the hardware industry to learn from the experiences of the food and drug field in meeting chain competition.

**THE SMALLER MERCHANT IS RIDING HIGH.** Ernest C. Hastings. *Dry Goods Economist*, July. "The small and medium size merchants have ahead of them greater opportunity and fewer worries than they have had for a decade. Business in general, and particularly the manufacturer of department store merchandise, displays a rapidly growing appreciation of the importance of this type of distributive outlet. That is an indication that merchants in these stores soon will be offered a greater assortment of merchandise than ever in history. The chain store has passed its peak as a competitive factor in towns where it has been a bugaboo."

**THE SMALL PRODUCER.** Ford Madox Ford. *American Mercury*, August. Recovery will come when the dispossessed return to the land and, with their ability to turn to various humble arts, get back on their feet.

**ABYSSINIA AND BRITISH POLICY.** *Spectator*, July 12. There can be no justification, as there is no precedent, for the expulsion of Abyssinia from the League—or the allocation to any state of a mandate over her.

## BOOKS

**THE LIBERAL TRADITION.** Lewis W. Douglas. Van Nostrand, 136 pp., \$1.50. A free trade, states' rights Democrat, who left the New Deal disillusioned after a brief period as Director of the Bureau of Budget, and who is mentioned, offhand, as possible presidential timber, gives his formula for a liberal economy.

First, however, he characterizes both the New Era and the New Deal philosophies as trending relentlessly toward the Collective state. We had no competitive capital system before Roosevelt, because the post-war New Era set up "rigidities" to frustrate the natural forces of deflation, embargo tariffs, huge debts, managed currency, fixed prices. Under the New Deal—one plan leads to more plans, an initial power needs further powers, one authority, more authorities, thereby making inevitable a completely powerful and tyrannical state.

Three chapters of criticism (originally Godkin lectures at Harvard) are followed by a final summary of "postulates" to a liberal economy, including: (1) free competition and flexibility of prices; (2) mobility of labor and of goods; (3) flexibility of costs; (4) modification of tariffs; (5) greater use of the Constitution's "Compact Clause" (his suggestion for state cooperation to control interstate business); (6) a reformed banking system; (7) a balanced budget.

# "HANDS OFF my prospects"



**CHECK SUBSTITUTION . . . by sending prospects straight to your authorized outlets**

Sales may be snatched away from your dealers by a competitor with "something just as good and a little cheaper."

Check these losses by directing your prospects to your authorized dealers. You can do this easily and economically. List your dealers under your own mark in classified telephone directories to match your distribution.

Full information on request; call or write.

AMERICAN TELEPHONE & TELEGRAPH COMPANY, Trade Mark Service Division

195 Broadway, New York  
(EXchange 3-9800)



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**CLASSIFIED TELEPHONE DIRECT**

**Shelving-Steel**

**MEBART STEEL SHELVING**

Steel Shelving, Steel Lockers, Bunk, Office Racks, Office Cabinets, Metal Specimens, Playground and Gymnasium Appliances, Complete service engineering service available on all lines.

**"WHERE TO BUY THEM"**

Model Fred Wily Co. 3535 Delcath. PB. 1000

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**CLASSIFIED TELEPHONE DIRECT**

**Lockers-Steel**

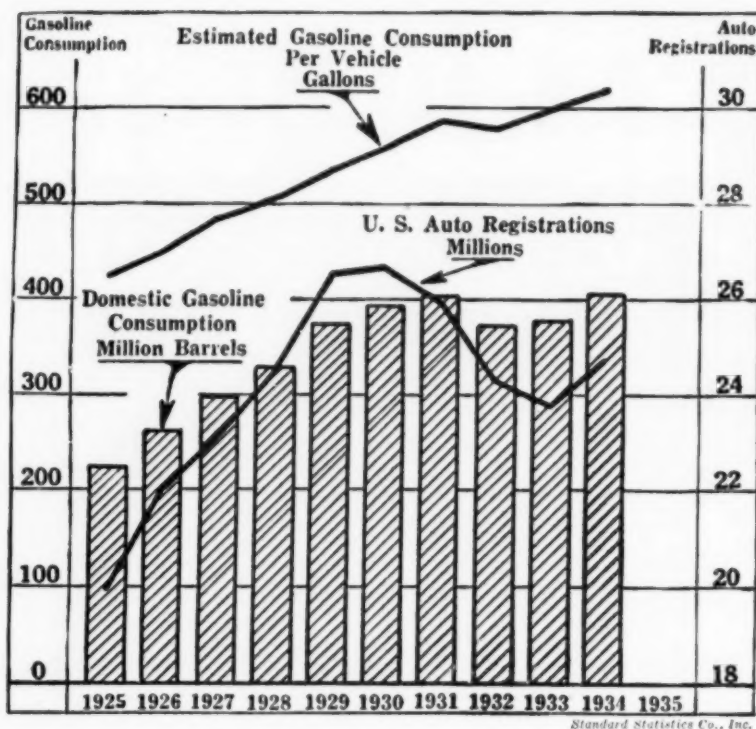
**MEBART STEEL LOCKERS**

Steel Lockers, Steel Shelving, Bunk, Office Racks, Office Cabinets, Metal Specimens, Playground and Gymnasium Appliances, Complete service engineering service available on all lines.

**"WHERE TO BUY THEM"**

Model Fred Wily Co. 3535 Delcath. PB. 1000





## New Gasoline Record

**Increased motor travel heads "gas" consumption toward all-time high, but competitive troubles get in the way of a general price advance.**

JOHN CITIZEN, the wife and the kiddies are using the family car this year as it was never used before, are buying so much gasoline that an all-time record of domestic consumption is practically certain. This new peak rises despite the fact that cars in circulation are fewer than in other years. Previous top was 1931, when 26½ million cars, buses, trucks digested over 400 million bbl. of gas (42 gal. each). This year 25 million automobiles will use an estimated 427 million bbl. It isn't the number of cars but the amount of running that counts.

### Stocks Drawn Down

Since the petroleum industry sees the cars whizz past from a good statistical plateau, it should view the future cheerfully. During the first 19 days of July "currently available gasoline stocks declined 1½ million bbl. to 56,850,000 bbl.; on July 31 last year the figure was 59,266,000. The crude overhang has dwindled, too. From 355½ million bbl. on July 31 last year, to 317 million bbl. on July 13 this year.

Thus times would appear ripe for price advances. Some timid boosts have been made, as at New England points and Columbus, O., where filling stations

have been on the warpath. But in other localities the bushes are full of varmint, imagined or real. Retail quotations at Detroit, Minneapolis, St. Paul, Milwaukee are shaky, and at Chicago they are a bit nervous.

### Coast Pressure Threatens

Here is just one more case where statistical outlook and the realities disagree. A real sore spot is the Pacific Coast. Overproduction there has depressed prices at the pump. Invalidation of the petroleum code wrecked the Coast marketing agreement, which acted as a safety valve on output. Effect of the pressure is feared in the great markets of the East.

"Hot oil" from wild and woolly East Texas is a favorite price scapegoat. Estimated illegal production is put at about 37,000 bbl. daily. That isn't much, but "it doesn't take much to unsettle a market." The Federal Tender Board has squeezed down hard to keep this outlaw gallonage from hopping the state line. Just the same, hot oil is consumed locally and crowds over corresponding amounts into interstate commerce.

This is a rash whose effect on the national complexion is somewhat ques-

tionable. The prize for price depression probably should go to the excess in filling stations, which has kept right on growing since the golden days of '29.

Company-owned service stations numbered 24,000 early in 1930, and 35,000 by July, 1934. During the same period non-owned stations supplied by companies on a 100% basis rose from 151,604 to 184,338. Total outlets are now estimated at 300,000, or one for every 60-odd cars.

To all the inter-industry disturbances must be added Interior Secretary and ex-Oil Administrator Ickes. Oil men say, "Ickes is as sharp as a knife, and just as narrow." They believe he is set on having petroleum declared a public utility and becoming its dictator. He has just dispatched a corps of snoopers to investigate oil marketing for what is left of his NRA setup. Findings probably will compliment the late Ickes commissarship and serve as ammunition when Congress gets around to new petroleum control legislation.

## Bar Prison Goods

**Sumners-Ashurst act seeks to protect objecting states from competition of convict labor products.**

IN the Sumners-Ashurst act, recently passed by Congress and now signed by the President, free-labor industries feel they at last have a competent G-man to prevent the escape of prison goods into markets where state laws bar them. This act makes it a federal offense to ship convict-made products into such territories.

Formerly interstate commerce provisions allowed one state to dump prison output on another. During the worst of the depression, when price meant everything, retailers clamored for prison merchandise, which was cheaper because of the forced, low-paid labor. Last year the Hawes-Cooper act became effective (*BW*—Dec 16 '33). It sought to bar sale of prison goods after they had passed the objecting state's line. Infractions were many. It was almost impossible to trace such goods once their identity was lost on the retailer's shelves.

The new law is designed to stop the traffic at its source. Prison goods must be so marked that the outside wrapper shows their origin. Transport companies are liable. It will be much easier to check shipments emerging from prison shops than to police sales in thousands of retail stores.

The new law backs up anti-prison legislation of 21 states having a population of 75 millions. Other states will be urged to adopt such laws. Still unsolved are (a) how to keep busy the huge prison population and (b) how the states are to make up losses in revenue.

## New Products

New things, new ideas, new designs, new packages, new manufacturing and marketing methods.

MOLDED valve handles in 5 colors, designed to prevent confusion among valves of different pipe lines, and bring color indexing to power and heating plants, are being offered by Jenkins Brothers, valve manufacturers.

In its new Total Time Meter, Westinghouse Electric & Manufacturing Co. provides a device for registering hours of running or idle time on electrically-operated machinery.

A NEW garbage pail of the "step on" variety has been placed on the market by the Sani-Top Pail Co. By means of a trip-valve, a fine spray of a disinfecting and deodorizing chemical is released from the cover over refuse freshly placed in the pail.

To prevent loss of battery power and dollars, or danger of fire, automobile, motorboat, and airplane owners can install on the dash a special switch which, when turned to "off" position, disconnects all electrical energy at the battery. This is being sold through garage operators by Auto Safety Switch Co.

ROXALIN FLEXIBLE LACQUER CO. announces a new aluminum-colored lacquer finish, which is claimed to withstand the extreme flexibility of live rubber without chipping or wrinkling.

EDISON LABORATORIES announces the adaptation of its "sealed temperature-control" for use on packaging machines employing paraffin paper, Cellophane, Pliofilm, and other thermo-plastic wrappers. In this an Edison Type D8 Control is mounted in a metal tube designed either to be strapped onto platens of the packaging machine or inserted in a recess in the platen. Where several wrappers requiring different heats are used on one machine, a control may be installed for each temperature required.

FERNICO, a new alloy metal which expands at the same rate as glass, has been brought out by Allegheny Steel Co. It has been used for electrical connections in the base of new metal radio tubes recently put on the market.

A NEW self-aligning flexible coupling for use on all direct-connected machinery is being marketed by Alloy Products Corp. It is announced as of special interest to food, chemical, and brewing plants where agitator motor drives or circulating pump units frequently operate in connection with tanks subject to expansion and contraction periods.

## WHAT'S HAPPENING ON YOUR ROOFS?



Thousands of executives never see the roofs on their buildings . . . but something may be happening there which will seriously affect the building investment.

In the days when most flat roofs were built with coal tar pitch and tarred felt, the roofs gave such satisfactory service that many executives took their roofs for granted. You should investigate. If you find your roofs are of coal tar pitch, and felt (gravel or slag coated) you can be sure that you have good roofs.

But maybe they are not of these long-lasting materials. If you find evidences of failure, one of the Koppers roofing representatives will be glad to give you honest, valuable advice on what should be done.

Use the coupon below, or write us

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KOPPERS BUILDING PITTSBURGH, PA.

**KOPPERS COAL TAR PITCH**  
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**KOPPERS TAR-SATURATED FABRIC**

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Send me a copy of your Sweet's Catalog Reprint, showing the things to look for when buying a flat roof.

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Firm Name .....

Address .....



## FINGER IN EVERY PIE

He hangs his hat in a food company office... but his activities carry far beyond the limits of those four walls.

He buys from the farmer, sells to the chains, and feels it when anything happens to either. He's an advertiser, a shipper, an exporter, an importer, a taxpayer, a debtor, a creditor, an investor... all rolled into one. For short they call him an executive.

Strange to say, until 1929, this most important figure in American business had no one publication dedicated expressly to his needs for interpreted business-news. Vertical trade papers served men in specific grooves. Horizontal business papers appealed to everyone from big executive to small-town merchant. General magazines offered a well-rounded diet of news for the whole family. But not one publication could rightfully call itself "The Executive's Business Paper."

Business Week was established to fill that void.

☆ ☆ ☆

Today Business Week keeps over 90,000 key executives in touch with what's happening around them... with the timeliness of a weekly, with the "what-does-it-mean-to-my-business?" angle always up in the headline.

Today, too, Business Week keeps advertisers in touch with these key executives... with a hand-picked circulation that guarantees more executives per advertising dollar than any other publication.



**BUSINESS WEEK**  
The Executive's Business Paper  
330 W. 42 STREET, NEW YORK

## Cigarette Taxes

**Tobacco interests defeat 23 proposed state levies, but lose out in 4 others; 19 states tax cigarettes.**

THIS year, when tax-hungry state legislatures convened throughout the country, tobacco interests knew they stood at Armageddon. Since 1921 when the first state tax on cigarettes was enacted by the Iowa legislature, cigarette manufacturers have been considered logical prey. Dramatic increases in consumption, accounting for an all-time high in 1934 and reaching for new records this year, served to focus attention even more sharply on cigarettes' revenue-raising possibilities.

### 4 Defeats, 23 Victories

Looking at the final box score this week, the industry had reason to be satisfied. Only 4 states—Connecticut, Oklahoma, Pennsylvania, and Washington—had been added to the list of 19 already exacting a toll from cigarette smokers; in 23 other states, similar proposals had been defeated. In Florida it was the ninth such defeat, and in New York and Colorado, tobacco interests were able to cut an eighth notch in their guns. All told, the Tobacco Merchants Association can count almost 200 such victories in the past 14 years.

Most effective ammunition in fighting these tax proposals is the record of experience in those states where tax measures have been enacted: Iowa, Kansas, Ohio, South Dakota, Texas, Utah, Alabama, Arkansas, Georgia, Mississippi, North Dakota, Tennessee, Louisiana, Arizona, and South Carolina.

Actual revenue yield has always failed to meet the estimates, no matter how conservatively they have been set by state accountants. On the basis of published figures for 13 states, the association computes that the average yield is only 32% of what is anticipated. Reason for this is twofold: (1) collection difficulties and (2) decreased consumption.

### Mail Order Opportunity

Evasions, some legal and some illegal, are commonplace. When a state imposes a tax, mail-order houses prepare for a land-office business—and get it. Similarly, jobbers and dealers in other states do a thriving cross-the-border trade and soon the legislature hears from angry local business men. In Memphis, Tenn., 5 local jobbers became so desperate as a result of these conditions that last September they established a cooperative company across the river in West Memphis, Ark., and announced in paid advertising space in the *Memphis Commercial-Appeal* that they were prepared to receive orders through local retailers and mail cigarettes direct to consumers. Thus, they established themselves as an interstate concern, and



customers were not subject to retail tax laws of either state.

Most alarming to cigarette manufacturers is the actual drop in consumption. Because the tax bears heavily on the poor, many smokers are driven to rolling their own or swearing off completely. And the higher the tax the greater the loss. Prime example of this is Arkansas, which exacts 5¢ per package tax—highest in the country. (Most states have rates of 2¢ or 3¢ in addition to the 6¢ federal tax.) Estimated revenue in Arkansas was \$4.5 millions; actual tax collections on cigars and cigarettes in 1933 totalled \$747,387. Per capita consumption slumped to 1.49 cigarettes, against a national per capita average of 889.2. Evidence that this experience is not unique may be adduced from the fact that the 1933 per capita average in 14 tobacco-taxing states was 442.3; for 34 non-taxing states, 1,063.1.

What percentage of this difference represents simply diversion of trade and what percentage represents an actual loss in consumption is not definitely established, but tobacco interests are convinced that the latter is sufficiently impressive to justify continued war with the state legislators.

## Big Guns Hit AAA

Packers and cigarette makers join attack on processing taxes.

OPPOSITION to AAA put on 7-league boots this week. Suits to enjoin processing tax collection jumped sharply across the 500 mark, and for the first time big packer and cigarette names appeared in the U.S.

In Chicago a contingent of packers went into court to stop collection of \$5 millions in taxes, mostly for May and June, with Swift and Armour in the lead. In Virginia and New Jersey, AAA saw the shadow of tobacco's Big 4 when Lorillard secured injunctions against the taxes. Previously, Philip Morris and Larus Bros. had taken similar action.

Entrance of big packers and a major cigarette company into the fracas spells a real financial setback for AAA. Swift and Armour have been averaging about \$2 millions a month in processing tax payments. Each company has paid more than \$35 millions in hog taxes to date. Lorillard estimates its tobacco tax payments at \$200,000 a month.

Packers complain that they have been put squarely on the spot by the processing levies. Not only did the AAA program lop off a serious chunk of their normal packing business by curtailing hog supplies, but it drove the price up to levels at which they met consumer resistance—which is polite language for impolite meat strikes. Furthermore,

Temple of Entil, Nippur, Babylonia. Excavated in 1889 by an archeological expedition from the University Museum, Philadelphia.



## Once a vast city stood here

*A city teeming with the varied commerce of its people. Now all that remains are a few broken fragments of archeological interest and a historical memory of that which was and is no more.*

**TODAY** we are learning not only to build but to maintain that which we have built — to preserve for the years that are to come.

Today Otis Elevator Company builds an elevator that is considered by engineers one of the finest machines of this age. This, however, is only half the job of Otis. The other half is the providing of maintenance that is as good as that elevator. It is just as important that that elevator be properly maintained as properly made. This is the only way its useful life can be extended indefinitely, no matter how good its materials or how perfect its workmanship.

The Otis Elevator Maintenance Service is on a parity with the Otis Elevator. This Service has been developed along with the Otis Elevator — same ideals of quality in one as in the other. And the Otis Maintenance Service is as versatile as the varied types of Otis Elevators and the buildings they serve. Wherever an Otis Elevator will give the right type of service, there, too, Otis Maintenance will maintain and prolong that service.

If you have an Otis Elevator, we feel you should have Otis Maintenance. It is not economical to separate them. Otis Maintenance is available at a reasonable, flat monthly rate.

## Otis Elevator Company

AAA is accused of adding insult to injury by allowing the hog price to go beyond the parity price at which the tax is supposed to be adjusted. A number of the smaller packers showed the court that they had to borrow to pay taxes.

Hogs pay the heaviest processing tax of any division, but heretofore packers have been reluctant to press their case against AAA for fear of bringing down upon themselves a hue and cry for greater regulation of their industry. However, with competitors having the tax enjoined, with the market weakening as a consequence, and with the AAA amendments likely to bar recovery suits, packers felt that they were forced to get in line.

## No HOLC "Purge"

**Government loan agency will be lenient with homeowners, won't dump property foreclosed.**

HOLC is no Shylock. Goateed John H. Fahey, chairman of this largest real estate lending organization in the world, took particular pains this week to deny that HOLC was after a pound of flesh from every homeowner who is delinquent on his mortgage. He not only denied it, but said emphatically that HOLC has a big heart, that its chief concern is to be lenient with the homeowner who is in real distress, to allow him time on his payments if he can prove temporary inability to pay.

Reason for the statement lies in the growing number of foreclosure proceedings HOLC has filed, some 800 out of a total of 885,000 mortgages now held (Fahey expects over 1 million soon). Fear has been expressed in parts of the country that HOLC is launching on a purge. Not so, according to its chairman. He points out that, among almost a million homeowners, there will naturally be many who will abandon properties, die, become wilfully delinquent, get involved in legal complications or otherwise test the patience of the mortgage holder. It is these HOLC is gunning for, and they cover only 1 in each 1,100 mortgages held.

### Real Estate Men Unworried

HOLC now owns about one-seventh of the urban home loan debt of the country. It undoubtedly has become a great factor in real estate, but real estate people do not fear the result of its foreclosures. On properties thus acquired HOLC is expected to hew to the policies already laid down by institutional and general mortgage investors who, after a strenuous campaign, have brought foreclosed property holders around to the idea that no good will be accomplished by dumping houses. HOLC will go along with this policy. It wants to get its money back.

## Travel Boost

**Washington considers a scheme to bring people to the United States. New York travel agents analyze tastes of home and foreign visitors.**

Ask a visiting European tourist what he wants most to see in this country and he will reply—"Rockefeller Center." Beyond that, his tastes will vary slightly. Inevitably, Coney Island, the Empire State Building (Al Smith must be on hand to make the visit a success), Wall Street and the Stock Exchange, Niagara Falls, and Washington will be on his list. The last 2 are out if he is having less than a week "in the States." If he is here for 2 weeks, he will spend one in the country's business center and divide the other between Niagara and the capital. If he is from northern Europe, he's likely to do only a little shopping, but he will take hundreds of pictures. If he happens to have ventured here from any place which is more than a thousand miles from Paris or London, he's likely to shop rather extensively.

Americans, in New York for the first time or back for a real visit with the entire family in tow, also have Rockefeller Center first on their list of sights. Greenwich Village (they call it the Latin Quarter) and New York's foreign colonies are likely to be second on the list of visiting Texans and Oregonians.

Iowans follow this with a demand to see a transatlantic liner and the ocean. They all want a night club, and if it is in Harlem, so much the better. Another evening is devoted to the theater. The Aquarium and Central Park are squeezed between a tour of the Metropolitan and a stroll through Wall Street. Beyond Old Trinity, there are few requests to see churches.

### Losing an Opportunity

Washington's late recognition that the United States is losing a big opportunity to develop a huge and profitable tourist business has focused new attention on travel. Port cities have their trickle of foreign visitors but the number arriving in an entire year is scarcely larger than the number of Americans leaving for foreign visits in a single week of the peak of the travel season.

A bill is being considered at the capitol which proposes the creation of a United States Travel Commission. Senators who are backing the plan point to the 57 foreign information bureaus which have offices in New York alone.

Official Washington has about decided it is time for the United States to organize such a service to function at



**BOYCOTTING THE BUTCHERS**—Possibly, as Detroit police maintained, Communists did not organize the housewives' meat strike in Hamtramck, Mich., last week, but—as in Los Angeles and New York—the clenched fist was still in evidence, as those who sought to crash the picket lines discovered. Packers this week lent the weight of legal action to their protestation that processing taxes contributed to price rises by seeking injunctions against tax collections.

home in compiling information and assisting travelers when they arrive, and to operate abroad where tourists will be cultivated.

Thos. Cook and the American Express have long handled a certain amount of this business, though the lack of a large-scale government campaign to attract tourists has been discouraging. Visitours, a newly organized service with headquarters in New York, is featuring a guide service for New York, Washington, and Boston. It is individualized, and frankly aimed at the traveler—foreign or American—who wants to place himself or family—at a price—in the hands of someone who will arrange to meet him at an incoming liner or at the Jersey end of the Holland Tunnel and plan everything from his meals to a motor trip through the estate region on Long Island. Admittedly "ritzy," Visitours will take a maharajah to Coney Island if he desires, or a San Francisco debutante to "the Village" for tea.

From all of these travel agencies, Washington is winning whole-hearted support for the scheme to advertise the United States—at home and abroad. Other industries are beginning to realize that they will profit too from a business whose annual turnover already exceeds \$5 billions.

## Balance Sheet

**United States accumulated record volume of gold last year, increased favorable trade balance, spent more abroad (but not in Europe).**

ONCE a year the United States makes a thorough check of its business with the rest of the world. This job for 1934 was completed several months ago (BW—Apr 13 '35), but the final audit has just been released.

Highlight of the year will remain the flood of gold which came to this country—\$1,187 millions. Computed on the old \$20.67 an ounce basis, or the new \$35, it is a record. Washington experts list 2 significant reasons: greater confidence after the dollar was devalued, and political uncertainties in other lands.

What we sell abroad is seldom balanced off by what we buy. Last year we piled up \$478 millions for goods we shipped abroad above the value of our imports from foreign countries. This is the largest balance since 1930.

In part counterbalancing this accumulation at home were the expenditures of Americans traveling in foreign countries. Last year, they paid \$314 millions to foreigners, compared with a bare \$292 millions in gloomy 1933. Foreigners reciprocated, however, by increasing their travel expenditures in the United States by \$23 millions.

One of the outstanding features in



## HIS CARD READS... Pumps and Compressors ... but he offers you "TAX REPEAL"



### THE "OBSOLESCENCE TAX"

The dark portion of the circle indicates the percentage of equipment in American industry which is estimated to be more expensive to operate than to replace. The recent Machinery and Allied Product Institute Report shows 18½ billion dollars worth of equipment needed by industry. At an average net saving of only 10 per cent by new equipment, the present cost per year of obsolete equipment is nearly 2 billion dollars.

FR 52056

Westinghouse cooperates with the manufacturers of machinery and their customers in the design and application of improved electric drive for every industry.



# Westinghouse



United States travel abroad last year, revealed in the report, was the marked increase in departures for non-European areas. While the number of our citizens who sailed for foreign destinations showed an increase of 3% over the preceding year, the departures for Euro-

pean ports were 6% less, while sailings to other oversea areas increased 14%.

Immigrants still send money to the "old country." Remittances last year dropped \$5 millions below the total for 1933, still amounted to more than \$105 millions.

## Britain Has a Boom

**British business climbs to levels far above 1929. Private capital flow obviates government spending program in all but a few lines.**

WHEN an Englishman says, "Business is good these days," he means it. A check on 8 important lines shows that he is doing better now than in 1929 (though, of course, there's always a question whether 1929 was good or not-so-good).

Although there are still 2 million people who can't find work in Britain, more people are working than at any time in 6 years, and they are producing 5% more industrial goods than they did during the boom. There are black spots. Textiles haven't caught up with themselves. Neither has shipbuilding. But there is a genuine boom in automobile production. Every Englishman suddenly has an ambition to own a car.

The building industry might protest that it is faring almost as well as the automobile manufacturer in capturing new consumer dollars. Certainly the building boom is more conspicuous to the foreign visitor than the increase in the number of cars on the road. That's because any American visitor, at least, measures by standards at home where every fifth person has a car, compared with every 25th person in Britain.

### No Government Housing Needed

It was the steady flow of funds into housing projects over the last 4 years, however, which mainly caused the government to reject recent proposals for a vast government housing program. Evidently, individual initiative is able to handle the situation, combined with the special activity of British building societies and slum clearance projects in certain great municipal centers.

The increase in electric power output is almost as striking. A part of this is due to the scheme to bring all Britain's electric power under the control of a central organization, standardize equipment, and push the use of electricity. Many of the workers' homes which have been built in and around London in the last few years are completely equipped for the use of electricity for cooking, heating, and lighting.

No development in the recovery programs of the United States and Great Britain is in greater contrast than the

increase in the flow of private funds into investment (see chart). Within the last few months this has amounted to a flood in Britain, with every creditable issue oversubscribed. Market activity is approaching the tempo of the boom days, and the volume of new issues is now greater than in 1929.

Britain is worried over the war tensions in Europe, the competition from Japan in many foreign markets, and monetary difficulties which will continue until there is some agreement to stabilize world currencies. But these worries do not counterbalance the recovery which is taking place behind new tariffs, and the readjustment to world conditions.

## Holland Tries Again

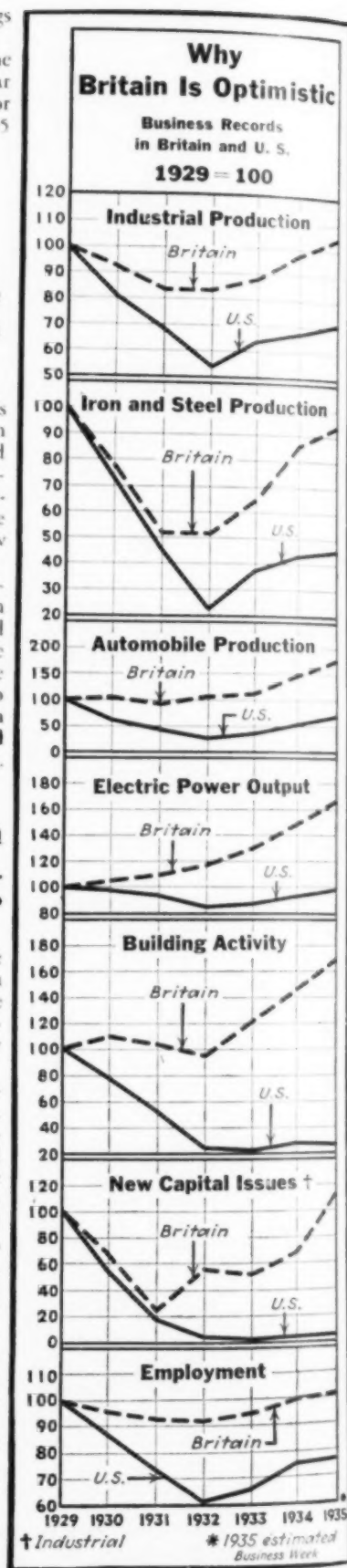
**Dutch government modifies retrenchment program, but sticks to gold standard.**

HOLLAND is struggling to man the dikes against the newest devaluation flood. Paris still protests that the Dutch will save their currency, but London—looking critically over at the Low Country—thinks it is a hopeless task.

Only France, Switzerland, and Holland remain on the gold standard. Switzerland definitely voted down devaluation this spring. France put Laval at the head of the government, gave him almost dictatorial powers for 5 months, and declared the franc would probably stand or fall on the success of his program for cutting expenditures.

Holland weathered the devaluation storm quite successfully until a few weeks ago. Then one important employee group declared that the workers were being crushed under the deflation program, withdrew its support from the Colijn government. There was a flurry. Others joined the opposition, said that Holland was fighting a losing battle, that it would be better now to join the devaluation bandwagon.

It required the resignation of Colijn to prove that the majority of the country still favors the deflation, rather than



the devaluation, road to recovery. This majority points to the huge gold reserve, to the liquidity of Holland's banks, to the declining amount of funds frozen in Germany, to the improved markets for investment, and to the fact that the retrenchment program needed to save the situation could be much less severe than in many other countries.

The opposition—admittedly in the minority—points to prosperity which is coming back in England, Sweden, Norway, and other neighboring countries which have devalued; and to the vast colonial empire in the Orient which would at once be able to meet the serious competition from Japan if the currency was devalued.

Holland will make one more effort to remain on the gold standard. By the time it fails or succeeds, the future of the remaining members of the gold bloc will probably be decided.

## 10 to 1

**Government decides 10 farm acres must be retired for each acre reclaimed by irrigation projects.**

COORDINATION between land reclamation and land retirement at last begins in Washington. The Administration has decided that at least 10 acres of marginal land must be lopped off for every acre newly irrigated, and now promises to go to work on this official ratio. Thus a million acres must soon be placed under Resettlement Administration and Forest Service retirement programs to offset the 100,000 acres being put into cultivation this year and next by the Bureau of Reclamation. And this action is to be somewhat retroactive. At least 4 million acres will be retired to offset the reclamation and irrigation projects of the past few years.

Money for these purposes is already definitely earmarked: \$64.8 millions go to the Bureau of Reclamation; \$22 millions to RA; \$12 millions to FS; in addition to \$34 millions previously allotted to Reclamation not yet committed. The 31 reclamation projects involved are all in the Western states; but the President has not yet said how big the money plums are to be for each region.

Retired land will be put temporarily under CCC and relief-worker care. The bulk will be used for public forests, national parks, wild life refuges, and recreational areas. Only a little will go into indirect crop production on improved ranges.

Professor Tugwell's Resettlement Administration has optioned approximately 11 million acres but only 3.5 million have been accepted. Over 250 possible locations for additional land purchase are still under study.



**Childhood is blessed with freedom from the cares and difficulties which beset the mature individual . . . but a definite measure of relief from apprehension and financial troubles is available to those individuals who safeguard home, property, business and self, against numerous hazards, with adequate casualty insurance and bonds in the Standard of Detroit.**

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A financially secure insurance and bonding institution, giving nation-wide protection and service through 6,500 representatives. More than \$140,000,000 paid in claims during 51 years of service.

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## MAGIC MAKERS

By Berton Braley

These are the Tools of Wonder  
That build, according to plan,  
Mechanical magic, under  
The vigilant eye of Man.  
Theirs is a strength created  
For the work of a titan age  
—Precisely calibrated  
On a microscopical gage.

Out of the steel they hammer  
And plane and bevel and drill  
Today's most genuine glamor,  
Tomorrow's mightiest thrill;  
These are the true World-Shakers  
With giant metallic thews,  
These tools that machine tool makers  
Have wrought for the world to use.

Without their power, invention  
Is only a Thought—a mere  
Vague philosophic contention  
That never would turn a gear;  
For these are the tools that master  
The practical, working scheme  
And shape real miracles, vaster  
Than any of which we dream!

THE MACHINE TOOL SHOW  
to be held in Cleveland—September  
11-21—will be the greatest industrial  
machinery exhibition ever held in  
the United States.

Make your visit profitable by selecting before you go what you want to see first—from the Machine Tool Show Number of American Machinist. In the mail September 5.



LEFT,  
Parisian  
Bastille  
laire," a  
modera



# Business Abroad

**Holland temporarily meets political and currency crisis. Laval continues economy program in France. Business booms in Britain. Party issues take shape in Canada. Japan pushes business expansion in North China.**

WORLD developments this week have not changed the business outlook. Mussolini's gesture to the League of Nations is not likely to ease the tension over Ethiopia. In spite of the protests abroad, Germans are continuing their campaigns against the Jews and Catholics. The Dutch political crisis has passed, and the currency seems temporarily safe. Brazil's foreign credit situation is tightening due to the narrow export margin, but in Ecuador the outlook is brighter. The Rumanian currency has practically been devalued 30%. The Italian lira is pegged at 8% below par by strict government control.

## Dutch Devaluation Postponed

Whatever the Dutch think, outsiders feel that the devaluation program is only postponed. For the present, Holland will continue on gold and will attempt to make economies, but the economy program will be far less drastic than the old Colijn government was attempting to carry through (page 30).

France is continuing the economy program, is working on a scheme to boost trade with more prosperous neighbors, will probably announce a public works program before the whole emergency scheme is completely outlined.

## France

**More economy measures for France on Aug. 7. Foreign trade will be boosted.**

PARIS (Wireless)—Laval took one more step this week in his economy program

for France. It is a measure to stimulate business, which in turn should build confidence and increase tax revenues.

In order to assist exporters who have sold goods through a clearing system to foreign countries, the government has decided to guarantee up to 80% of their face value the receipts given by the commercial clearing system to the exporter after registration of his exports with the Clearing House. This government guarantee will enable the exporter to have this receipt discounted by the French banks, and thus mobilize sums owed to him which are temporarily frozen due to the unsatisfactory working of the commercial clearing system.

Further decrees are expected on Aug. 7 reducing trade quotas—there are now 400 of them—and encouraging business with countries where operations can soundly be carried on.

What is going to happen in France next fall or at the beginning of the year is no more obvious now than when the Laval régime came into office. It is currently said that Laval, pursuing his dictatorial attitude, might very well not call the Chambers in October for ratification of the decrees he is now issuing (as was provided by the Chambers themselves before they adjourned),

and that he will possibly have only an extraordinary session in December to vote the budget, refusing any serious discussion of his program before parliament. This will all depend on the public reaction which will have developed by fall when all plans are known.

The question of a devaluation of the franc, while no more discussed publicly, is obviously not yet solved. All will depend on what the Laval reform will effectively produce in the way of economy. Nevertheless, if there should be any devaluation at all, it seems that it would only be a matter of some 15%—not the 30% or 40% discussed as recently as last winter—and such a measure would have hardly any effect on prices in an agricultural country like France. It could well be motivated by the necessity of balancing definitely a former deficit (through the revaluing of the gold reserve) and of doing more, probably, than any other measure to attract tourists back to France.

## Germany

**Government-financed industries boom; others lag. International steel agreement will aid Germany.**

BERLIN (Wireless)—Government-financed industries continue to boom, but sentiment is depressed. The definite termination of the trade and clearing agreements with France, effective after Aug. 1, will cut seriously into the trade with one of Germany's best markets.

There are some reasons for optimism, however. The new and more flexible payment agreement with Belgium is likely to increase business. It is modeled after the plan worked out with Great Britain.

Only a little less important for Germany is the inclusion, after much bargaining, of both Poland and Great Brit-



LEFT, RIGHT, LEFT—Politically-minded Parisians (and what Parisian isn't) make the annual celebration of the fall of the Bastille a day of mass demonstration. The new "Front Populaire," a leftist coalition of Socialists, Communists, and the more moderate Radical Socialists which threatens to gain control of

the government and institute drastic social reforms this fall, paraded in the Place de la Bastille (left). Simultaneously, in the Champs Elysee a fascist demonstration was staged by 10,000 members of the Croix de Feu, French veteran organization, under the command of the militant Colonel La Roque.

ain in the International Steel Cartel. More than 80% of world steel exports are now controlled by the cartel and future prices are likely to be steadier. This will aid German business.

The stock market is remarkably firm, in spite of the reports that measures will ultimately be taken discriminating in favor of bonds. Some recent stock price advances—notably I. G. Farbenindustrie and Siemens—are attributed to purchases for American account against accumulations of blocked marks.

## Great Britain

**English will push instalment selling. Largest steel plate manufacturer will move to Lincolnshire.**

LONDON (Cable)—Whatever success the new government has in Holland in postponing devaluation, British authorities fully expect the Dutch and Swiss currencies to go off the gold standard any time now, and possibly the French franc at least in October. This is purely a London point of view, but it is widely held. There is little confidence that the Laval government will be able to carry through its retrenchment program successfully. If it fails, radical elements are expected to head a new French government, and devaluation will be on their program.

With travel business at a peak, interest centered this week on the announcement that Cunard-White Star will stagger sailings of the new super-liner, *Queen Mary* (which makes a first crossing next year), with the sailings of the *Normandie* of the French Line. These 2 new luxury vessels are expected to be the fastest afloat for some time and will inevitably compete for patronage. By staggering sailings, they should force a fair division of the luxury express business, meager at best.

Progress of consumer credit in conservative Britain is glimpsed in the annual speech of J. Gibson-Jarvie, American-trained Scotsman, to the United Dominions Trust. It is just 16 years since the original U.D.T. office was established in London, and 10½ years since the company was publicly floated. In that time, £58 millions of merchandise have been financed on the instalment purchase system.

### Instalment Selling Encouraged

Britain scanned the report of the Trust carefully, for a big drive is just being undertaken to persuade British merchants and retailers to adopt this form of finance for all commodities and finished goods. United Dominions Trust works through old fashioned bills of exchange to which Britishers are traditionally accustomed, although their use has waned since the joint-stock banks have found it more profitable to encourage the use of check books.

South Wales continues to complain because Richard Thomas & Co., kingpin of British steel plate trade, is to open its new strip works in Lincolnshire. Secret is that South Wales industry grew from innumerable small units. These will not now readily rationalize.

Richard Thomas & Co. is tired of carrying ore and metal and coal to the various small mills. In Lincolnshire, they will have coal and ore at their door steps and will begin operating with an entirely modern plant. South Wales relies on many outmoded hand processes; the Lincolnshire works will be the latest machines.

The chairman of the organization will make a public statement soon concerning the move. Whatever he says, the public has its own opinions and strongest among them is the conviction that modern businesses cannot risk their existence from sentiment, and that care of the dispossessed populations in old or worked-out centers is a matter for the government to handle. Efforts will be made to transform the areas in Wales, heretofore devoted to the steel industry, to pleasure resorts, for which naturally they are well suited.

## Canada

**Railroad consolidation becomes party issue. Liberals anticipate sweeping victory. Trade with Latin America is encouraged.**

OTTAWA—Declaration by the Stevens Reconstruction Party of opposition to railway amalgamation or unified management is the week's most important development in Canadian politico-economic situation. Party attitude is that provision of business for railways through its public works and business revival policies is the only possible solution of the railway problem. It would assist solution by writing down capitalization of Canadian National to an amount having a proper relation to the present value of the road's assets, appointing an independent board of railway experts to make appraisal. Dead weight debt of road would be absorbed into national debt. It would also insist on railway managements' bringing about more efficient operation of both roads. It claims this addition to national debt is taken into account in its proposal to retire the Dominion debt in 25 years.

The late Sir Henry Thornton, former president of Canadian National, urged writing down capitalization for years and present board of trustees has also recommended it, but political influence friendly to the Canadian Pacific has successfully opposed it. It would cut present capitalization to less than half.

### Liberals Make Clean Sweep

Mackenzie King, Liberal leader, opens his campaign this week with broadcast addresses, its optimism increased by the Liberal sweep in the Prince Edward Island provincial general election where all 30 ridings were won, leaving legislature without any opposition member. Liberals now hold 8 of Canada's 9 provinces, the exception being Alberta, where the United Farmer government faces the electors Aug. 22.

With word Washington was hopeful of something definite about the proposed trade treaty between Canada and the United States within 2 months, Norman



**SOVIET EXECUTIVE**—David Ross arrives on the *Normandie* to take over his new duties as head of the import division of Amtorg, Soviet trading agency through which will be handled the heavy purchases of American machinery promised under the new trade accord. A former president of Moscow's Metal Import Corp., he will work with Ivan Boyeff, president of the Amtorg in New York.

Armour, new American minister to Canada, arrived in Ottawa last week. Negotiations, if they progress further, will be in Washington. Armour expects his government to proceed with construction of a ministerial residence here with money voted last week.

### Canada Strikes Back at Japan

Canada's retaliatory 33½% surtax on Japanese goods becomes effective Aug. 5 (being additional to all other duties) but meantime it is thought here that Japan, which started the tariff war, may back down in the face of Ottawa's attitude. Nickel is the only important Canadian export to Japan not covered by latter's new 50% surtax on Canadian goods. Canadian importers as well as exporters are disturbed by the situation. Existing Canadian duties ran the cost of a recent \$500 shipment of Japanese silk up to \$1,600, and it was returned to Japan.

Canada has exchanged with Costa Rica, Panama, Haiti, Guatemala, and Bolivia most-favored-nation tariff treatment through negotiations just concluded. This means the Spanish American countries get the benefit of Canada's intermediate tariff and Canadian goods the lowest tariffs of those countries. Trade affected is not great—roughly \$100,000 annually with Costa Rica, \$250,000 with Panama, \$130,000 with Guatemala, \$250,000 with Bolivia. It is nearly all one way—in Canada's favor. Canada bought only \$300 from Bolivia last year in return for sales of \$245,000.

Canada sends south mostly flour and lumber; buys fruits and coffee.

Extension this week of most-favored-nation treatment to Great Britain is mainly a formality, as the bulk of the trade is covered by preferences.

Work or starve is Premier Mitchell Hepburn's edict to Ontario's able-bodied unemployed. To save taxpayers some of the relief burden and also to ensure Ontario farmers of harvest help, single unemployed men are cut off from relief as from Aug. 1, being expected to take farm work. Married men may receive similar treatment.

Bank debts for 5 clearing-house areas increased an average of 4.2% in June.

#### A Start on Housing

Montreal and one or two Ontario communities report proposals for housing programs under the new federal housing legislation by which the government will lend 20% of the cost if the mortgage companies advance 60%. Municipalities and building contractors are in some cases willing to finance the 20% required from the man who wants to build. Editor E. Stanley Bates, of *Canadian Textile Journal*, Toronto, advocates a Bank of Canada guarantee credit through chartered banks for industrial reconstruction program.

Livestock producers of prairie provinces have drafted a marketing scheme under federal Marketing Act but without compulsory feature. It will be put to vote of producers in few months.

Dominion Stores, Limited, a chain company, lost \$370,000 net for first 6 months of year as against profit of

\$120,000 for same period last year. Sales were down \$14 million. Increases of 22.2% in number and 16.1% in value of motor vehicles financed in June compared with June 1934 are reported. Motor vehicle sales in June were up 14% over last year, 78% over 1935.

## Far East

**Japan's economic penetration of Asiatic mainland means the end of many foreign businesses, a new field of sales expansion for others.**

LITTLE doubt can remain in the minds of executives over the economic destiny of North China. Like Manchuria, it is going to be controlled by Japan.

Several reports from the Far East indicate how rapidly this domination is taking place. In each set of demands presented to Chinese officials in territories occupied by Japan, there is inevitably the demand for "suppression of all anti-Japanese organizations in the province." Since Japan determines just when activities become "anti," it is only one step further for Japan to direct the activities—which means that they will be out-and-out pro-Japanese.

In the case of the recent Chahar incident, Japan added a significant demand that "Chinese emigration into Eastern Chahar cease." It's only a little less important that additional Chinese are not to be allowed to occupy territory which has long been officially in their

control, than that the Chahar region lies between Peiping and the Siberian border. Tokyo not only wants to develop the region, but to keep Russia out of touch with China.

Japanese reports in Peiping indicate that Chinese authorities in North China have requested the Japanese military officer in charge to recommend Japanese advisors on military, political and economic affairs for the 4 big Chinese provinces nearest Manchukuo. The general immediately accepted the offer.

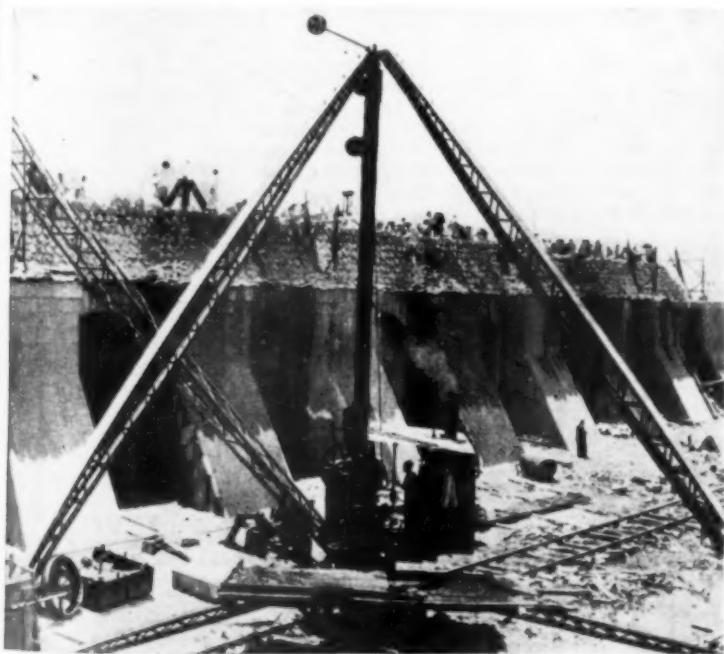
#### Japanese Capital for China

Reuter completes the picture with a report from Tokyo that the South Manchuria Railway (which has already absorbed the old Chinese Eastern line in Manchukuo, which is half controlled by the Japanese government, and which is the nucleus around which Japanese economic expansion in Manchukuo is being carried out), with the support of the Japanese army in the old leased territory in Manchukuo, plans to establish and capitalize a huge industrial development company in North China to develop natural resources and industries in that region. The company, it is reported, believes that with the restoration of peace, "the Chinese authorities in North China will seek Japanese capital and technical assistance in connection with the coal mines in Shansi, oil fields in Shensi, iron ore in Chahar, textiles in the Tientsin area, salt pans in the coastal region north of Tientsin, and cotton and wheat crops in the 3 provinces nearest Japan." At the same time, in Japan, directors of the South Manchuria Railway were reporting record profits for the 1934-35 business year, voting a 4.43% dividend on government holdings in the company, 8% on private.

#### Japan Wins the Cream

Open-minded business men view the situation with mixed feelings. Some censure Japan; others admit that the country is doing nothing that hasn't been done a dozen times by other great commercial countries. More important, there is a group which is quite willing to see Japan take hold in China. These are the people who have no investments there now, who feel that huge profits for a few venturesome souls willing to gamble for business in disorganized China can well be sacrificed for a much larger profit spread over many companies operating behind the protection of Japanese police and army forces. Japan is going to skim the cream, but Japan also is going to be forced to do the expensive job of policing the territory. Japan is already one of our best customers. We are going to lose some important business in supplying Japan with raw materials as China is absorbed and developed. We are at the same time going to gain a wider market for many of our finished products.

We are confronted with a rapidly shifting economic situation in the Orient which demands careful readjustment. The foresighted American executive is already framing his future policy on a full understanding of exactly what is happening now and what it is going to mean to his business in the future.



**PREPARING FOR THE DRY SEASON**—Not only the Italians but the British as well are concerned about the end of the rainy season in Ethiopia. To the British every year it means a dwindling of water resources in Egypt as the headwaters of the Blue Nile in Ethiopian territory dry up. Hence, 30 miles south of Khartoum in the Sudan, Britain is building the gigantic Gebel Aulia Dam on the White Nile. When finished in 1937, it will store up 2 1/2 billion cubic meters of water for irrigating 3 million acres of land when the Blue Nile recedes.



# Money and the Markets

**Finance shines in the general brightness of business. Congressional events produce no heart failure. Private borrowers get money cheap, and Reserve banks are lending to industry. Current events make cotton anxious.**

So little fault can be found with the general tempo of business at this season, and so generous is the supply of money and credit available, that financial and market people can hardly express surprise at the consistent steadiness of financial affairs.

Summer dullness has been of considerably less depth than usual, and the first harbingers of autumn vigor are arriving. Thus the edge continues to be taken off the bitterness of a long-drawn-out Congress. Business and finance appear to be indifferent to the prospect that Congress will not now get away from Washington until late August, perhaps early September.

## Tax Bill Not So Bad

There is a measure of satisfaction with the manner in which the tax program, designed by the President as punitive of bigness, has been shorn and tempered into something more nearly resembling a revenue program, even though the indicated revenue is a mere pittance compared with the size of New Deal expenses.

Furthermore, there is hope that the banking system will not now be turned over to the government. Both these factors contribute to a more relaxed condition of business and financial nerves.

An important division of the general economy is quivering under attack because the AAA is under grave question of unconstitutionality. But the matter of benefit and rental payments to a sizable section of the agricultural population is not as serious as the attack on AAA would appear to indicate, since subsidies may be continued for a time,

even though the AAA should fall before the Supreme Court opinion this autumn.

Farm income is doing very well, regardless of AAA benefits. Although mid-July prices were somewhat lower than those of mid-June, the general level was more than 15% above a year ago.

The New Deal continues to finance itself at persistently declining interest costs. The average rate of interest paid on outstanding securities this midyear was 2.715%. In 1932 the corresponding figure was 3.505%. The decline in interest rates has paradoxically paralleled a constantly mounting total of debt, and has resulted in immense savings.

Capital markets are simply stuffed with money seeking a reasonable return, under conditions which are persistently making such a return more and more difficult.

Foreign influences during the week were just as uncertain as actual conditions abroad. Holland is making another stab at retention of the gold standard. The British capital market is full of security offerings and equally full of eager subscribers to them. The prospect of war in Africa changes daily, but at the moment is not quite as serious as it has been in the recent past.

## Stocks and Bonds Go Quietly Up

THE stock and bond markets are almost monotonous. Investors constantly pick away at high-grade bonds, and new highs for the movement are frequent. Lesser-grade issues get the leavings of investment demand; and this, supple-

mented by moderate speculative buying, has put some divisions in a rising frame of mind.

Railroad liens carried their sharp rise of the last part of the previous week into the early days of this week. Utility bonds reflect the belief that the utilities have about discounted all the bad luck they are in for.

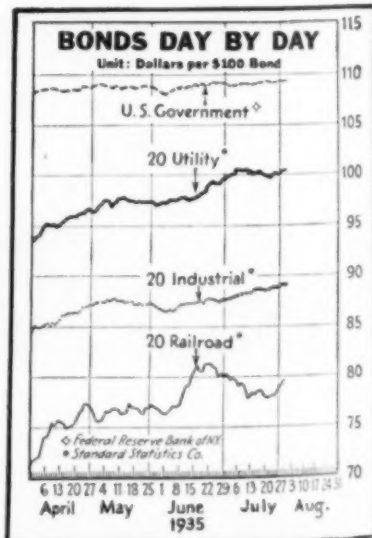
Volume rose in the stock market to accompany the price level to a fresh peak for the year. Ordinarily, after anything like the 4-month rise that stocks have witnessed, an expansion of trading interest would call for caution, particularly when it spilled over into the low-priced shares of companies which are less favorably situated than the leaders. But it is still the popular theory in the stock market that no serious mishap is shaping up for stocks, simply because the backbone of the advance is idle money that just can't find any other perching place.

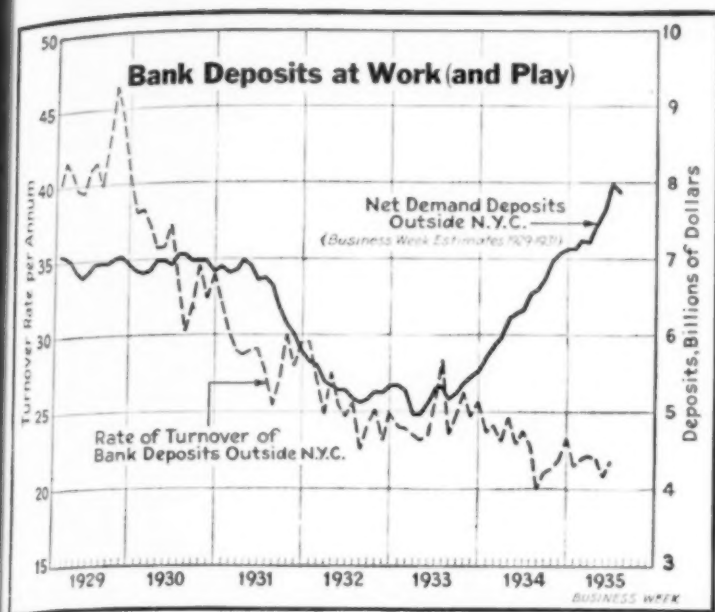
Besides, many of the industrial divisions continue to be treated to a very good kind of earnings news, resulting in spells of favoritism among special groups that give the general market a continually firm appearance.

## Private Borrowers Get Low Rates

THE government is not the only borrower getting cheap financing these days. Striking evidence of the ability of industrial concerns to take advantage of swollen investment demand was presented by Brown Shoe this week when underwriters quickly disposed of a \$4-million issue of its debentures carrying a coupon of only 3½%. On the same day Wilson & Co., packers, had a \$20-million issue on the market which was promptly subscribed.

The SEC reported registrations of new securities to the total of \$24 millions last week—a respectable mark, considering the season. At the same time, large insurance companies indicate that they have been buying a large volume of securities privately. This





makes the capital market demand appear good all the way around.

Southern California Gas Co. had an issue of \$15 millions on the market this week, and a subsidiary of Public Service of New Jersey announced a \$50-million private sale to a small group of insurance companies.

In the state and municipal field, Oregon sold \$3 millions of serial bonds, Seattle sold \$1.5 millions of municipal light and power refunding obligations, and Chicago reports that plans to refund \$10 millions of city bonds and \$6 millions of Board of Education bonds are being finished.

The Treasury disposed of another \$100 million block of its 2½s at auction, and accepted bids on \$50 millions of bills, all for pocket money. The market has become quite accustomed to the auction method of bond sales now, since the amounts have been consistent and the sales have been reassuringly spaced.

### Rust News Hurts Northwestern Mills

ONION concedes, and the market reflects, a substantial amount of rust damage to the spring wheat crop in our Northwest.

The news, yet to be corroborated by harvest count but pretty well established, is rather sad for the big spring wheat mills of the Northwest, not alone because of the indicated reduction of yields but also because the injury from the epidemic of rust disease has undoubtedly lowered the milling quality of the crop considerably more than the loss in bushels.

Unless the Northwestern mills can find sufficient good hard spring wheat this season, they will be forced for the second consecutive year to go to the Southwest or to Canada for part of their milling requirements.

The prospect of importations from Canada again this year, despite the in-

dicated sufficiency of the country's supplies as a whole, is not at all fanciful. In expiring, the Minneapolis July future reached a level at which imports of Canadian wheat were possible if time allowed. Futures representing delivery in more distant months are not up to that point, but it is quite possible that they will go there, if present circumstances remain unchanged for a long enough time.

### Not Good for Railroads

The relapse in crop prospects tempers the recently bright outlook for Northwestern railroads, but puts a gleam of hope into the eyes of farmers who are out of the rust territory. It may be that in the end this season will not add to the wheat surplus in this country. Meanwhile feed crops are improving, rather than deteriorating, and animal feeders are basking in the promise of low feed costs and high meat markets.

One dark cloud in the world picture skipped by without harm this week when prediction of rainy weather in the Argentine went unfulfilled, and the drought there continued unbroken.

### Commodity Evenness Has Exceptions

MOST commodity markets show evidence neither of distress nor of undue gaiety. There are, however, degrees on either side of the line.

One deviation is in crude oil. The trade is blue and uneasy about the failure of crude production to recede materially. When the publication this week of the American Petroleum Institute's production figures for last week showed an insignificant decline, the rumors of price unsettlement in gasoline markets took a more serious turn.

Although consumption of gasoline has been greatly stimulated by fair weather after the highly unfavorable spring and early summer conditions, and although gasoline stocks in storage are dropping

daily, nevertheless the continued high production of crude oil is a shadow over the whole picture.

It is considered now that the race is between price cuts and production cuts. If the latter come first, the price cuts can be dodged.

### Zinc Gets a Big Play

A situation leaning the other way is being witnessed in zinc. After a month of inactivity, zinc has turned July into one of the best periods in the last decade. A heavy volume of trading is reported at rising prices.

The demand is principally from the steel companies producing galvanized products. Besides letting their zinc stocks run low, they have encountered a lively demand for galvanized ware from such sources as rural repairs, rebuilding, and general rehabilitation of residence and farm properties.

Unfilled orders for zinc at the end of last week were sharply higher than at the end of the preceding week. Much of the business is being booked for nearby shipment.

### Why Cotton Is Holding Its Breath

COTTON is holding its breath. The industry from one end to the other is faced with a series of complexities that are congealing trade.

At the top of the ladder, the textile industry is trying to devise some means of wording its usual sales agreements so that all parties shall be protected if the Supreme Court follows the recent Circuit Court decision and knocks out the AAA and the processing taxes.

In the futures markets the trade is patiently waiting for an announcement on this season's loan policy and does not expect it until after the first production estimate of the season has been made on Aug. 8. Private estimates recently indicate that the crop has been doing very well, which increases the perplexity of the government over establishing a loan rate on this coming crop.

### Court Upsets Ginning Tax

Still further down the ladder there is a mess in Texas, the largest producing state. A court there has told the ginners that the ginning tax is out of order. Neither the ginners nor the internal revenue bureau know exactly what to do about collections, and the movement of new cotton is imminent.

To aggravate the confusion, the head of the Texas Agricultural Association, H. G. Lucas, tells the ginners that farmers do not like their attitude on the AAA, and tells them in a threatening manner.

At the same time banks have been shying away from 12¢ cotton-loan notes. Not only were interest rates on these notes lowered discouragingly, but banks are up in the air about the future of the AAA and the Commodity Credit Corp. Hence the credit corporation has been getting these notes back into its own hands.

And to top off the current cotton muddle, the subcommittee working under the Cabinet committee investigating cotton has turned in its report to the main



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committee, but it is more than likely that this will not be released and that the main committee will not make up its own report, because there is too much unsettlement already without adding a long analysis to it.

Meanwhile Senator Smith has got some more money from the Senate to pursue his investigation into market declines in cotton, principally the sharp decline of Mar. 11.

## Budd Wins Big Reserve Bank Loan

THE Federal Reserve banks approved their second largest loan under the loans-to-industry provision of the reserve act this week, when Budd Mfg. was granted a \$5-million credit.

This makes the second loan of this type to Budd. The loan will run 5 years, and for its protection the Federal Reserve Bank of Philadelphia and local participating banks are requesting that the 1938 maturity of Budd 6% debentures be extended to 1941, or beyond the maturity date of the loan. Accordingly, the company is asking bondholders for their approval of the extension. One-quarter of the face amount would be paid off immediately, the rest extended.

### Outdoing the RFC

The deal is in line with the recently stimulated activity of the Reserve Banks in making industrial loans. The Reserve Banks have put RFC in the shade in the matter of granting working-capital loans. Both organizations are empowered to make about the same type of loan, but RFC has not paid a great deal of attention to this arm of its activities.

In Washington this week Jesse Jones was taken to task for the lukewarm character of its working-capital loans division, when the House Banking and Currency Committee, in a hearing on the Koppelman bill to establish a billion-dollar chain of credit banks to help small industries, asked his opinion on the proposal. He told committeemen that further agencies for granting industrial loans were unnecessary, pointing out that between the Reserve Banks and the RFC the average business man was well taken care of, and that more than \$50 millions had been disbursed by the two institutions.

In seeking permission of bondholders and stockholders to make the loan, the Budd company said that business in auto bodies and lightweight railroad rolling stock was looking brighter, and that the company would find the additional capital very useful in handling its share of expanding business.

## May Ease Up on Tin

THE international tin committee has done such a good job of controlling world tin production and exports that it has frightened itself. Tin prices are at the highest levels in months, surplus stocks at all principal world markets have been wiped out, and shortages are cropping up.

Recently the tin committee has drawn

so much publicity upon itself concerning the tight markets in spot tin, that a meeting scheduled for next week in Paris is expected to provide a further increase in export quotas to ease the situation and to check both the growing dissatisfaction with the lightness of supplies and the tendency among tin users to buy substitute materials.

The case of a shipment of buffer pool stocks from the United States back to England, to relieve a threatened exhaustion of stocks there, was the high point of recent tin history.

### Hope for 10% Boost

It is hoped and expected that this time the increase to be allowed in exports will total 10%. In June a similar increase had been looked for, but the committee's final decision was 5%, an increase which failed to bring relief.

World production in the first 5 months of this year was about 7% higher than in the same period last year, but consumption was 15% higher. American consumption has gained recently after a moderately slow first 5 months, and further increases are expected in the latter half of the year.

Good canning crops this season promise a heavy pack and consequently a greater need for tin. Also the spreading development of cans as containers for beer suggests an important contributory source of consumption.

## Tweedlegold and Tweedledoo

THE gold-clause proposal of Senator McAdoo, approved by the Senate Banking and Currency Committee in presumed disregard of Administration wishes, can hardly be considered a very harsh revolt against Administration intentions in the gold matter. On the contrary, it appears to be a smooth, compromising cover-up for the government.

The Supreme Court, sustaining the government in the gold-clause case, said it did so because no loss was shown by holders of government bonds paid in currency rather than gold. There was a hint in this decision that sometime later, when someone could show injury, he would be able to win a suit against the government. But the McAdoo proposal obviates this just about as well as the House bill, which erects an immediate bar against all suits on the gold clause. For, within the 6 months' open season suggested by Senator McAdoo, there is not likely to be any more chance to show loss than there was when the Supreme Court made its decision; and after the 6-month period, the McAdoo substitute shuts off recovery just as well as the House bill.

In any case, the substitute has the good grace to allow citizens a run for their money, even if only a short one.

Chance to show material damage from the government's nationalization of gold is reasonably predicated on the possibility of rather serious inflation. No one expects such a condition within the short space in which the McAdoo plan leaves the gate open. Hence it appears to be a harmless gesture, except for its validation of existing suits.



## Editorially Speaking—

APPARENTLY the drinks sold in many hotels are no more thoroughly mixed than the hotels' business methods in buying and selling liquor. The *Horwath Hotel Accountant*, in a recent issue, gave a report on a survey of a number of hotels. Where a Martini costs 25¢, the hotel pays anywhere from \$11 to \$16 for a case of gin, and from \$13 to \$23 for a case of vermouth. (The \$23 vermouth buyer pays the moderate price of \$12.75 for its gin.) The 30¢ Martini hotels buy gin for from \$9 to \$13.75 a case, and vermouth for from \$15.25 to \$17, while the hotels that charge 35¢ for a Martini pay from \$11.75 to \$14.75 for gin, and from \$13 to \$17 for vermouth. Some hotels pay a lot for gin, and very little for vermouth; others do the opposite. Similarly, among hotels that sell a 35¢ old-fashioned, the rye costs from \$16 to \$40 a case, while those that charge 40¢ pay a top price of \$28.75 a case. One hotel with a 50¢ old-fashioned pays \$38.50, and one with a 45¢ old-fashioned pays \$57.50.

Are such variations in costs actually representative? It doesn't seem credible, especially in view of the fact that the solvency of many hotels depends on the proper management of their liquor business.

"THE *Queen Mary* and the *Normandie* will never be in the same port at the same time, they will never meet on the high seas, and will always be running in opposite directions clear of each other." This sounds like a comically elaborate program of frigid enemies; a good deal like the comings and goings of an angrily divorced couple whose friends must always avoid inviting them to the same party. But it is really the plan—or the hope—expressed by the French and British shipping authorities.

The *Normandie* and the British superliner to be finished next year will not compete directly. Each would cut into the other's revenues that way. Instead, they will sail on alternate weeks. It will require a great deal of dexterity to maintain such a schedule, but at least a stab will be made at it.

In reply to a murmur of curiosity on this page, G. Ross Henninger, vice-president of the Teaneck Taxpayers' League, of Teaneck, N. J., informs us that "where the long-suffering taxpayers have risen as a body to install and to maintain vigilantly a city-manager administration free from party politics, city-manager cities and towns are governed better than party-organization administered cities and towns definitely because of the city-manager government so administered." Yet he admits that

some cities have let their city-manager administrations be swamped by politics. Thus it appears that the quality of the voters determines the whole thing, fundamentally.

Our guess is that the kind of voters who get good government are also the kind who perceive that the city-manager plan will bring them still better government. So they try it, and usually they make it succeed. Anything in the history of the city-manager plan in Teaneck to contradict that?

THE AAA has its defenders and avengers. Thoroughly angered by the legal attacks on the processing taxes, some farm groups are planning to sue for injunctions against the collection of industrial tariffs. It's all in vain. The courts have sustained tariff laws since the United States government was formed, and they'll do so again if anybody sues. But the threat serves to emphasize the farmers' point—that the processing taxes are the farmers' equivalent of a tariff.

ANYTHING the matter with parole? Well, there are 48 state parole systems and a federal parole system, and the federal system ought to set a standard for all the rest. But President Roosevelt had to settle a political family fight, and he did so by juggling several officials around and plopping them into new jobs; and this involved the transfer of T. Webber Wilson from a judgeship in the Virgin Islands to a place on the Federal Parole Board. Dr. Amy N. Stannard, a member of the board, was fired. Regardless of whether Judge Wilson is competent, his appointment was obviously dictated by politics. And that's the trouble with parole.

VACATIONING, theater-going, dancing, playing pool, and other ways of recreation all together cost the American people about \$7,300,000,000 a year, according to an estimate by the New York Trust Co. It doesn't seem exaggerated. President Hoover's Research Committee on Social Trends reported that the average sum spent annually for recreation in the years from 1928 to 1930 was \$10 billions. And it would have been more if people had known what was going to happen to their savings.

"MARIE, NEARING 60, FINDS LIFE SERENE." It's the dowager Queen of Rumania being interviewed by the North American Newspaper Alliance. "As she sat looking down the long corridors of her eventful past, she was asked what single thing had yielded her the most satisfaction."

What a thing to ask!

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# BUSINESS WEEK

The Journal of Business News and Interpretation

AUGUST 3, 1935

## Too Slow, Mr. President!

Today, Mr. President, we respond to the invitation you addressed to every American citizen in your radio speech on Apr. 28, when, in discussing the public works program, you said:

"Feel free to criticize. Tell me of instances where work can be done better, or where improper practices prevail. Neither you nor I want criticism conceived in a purely fault-finding or partisan spirit, but I am jealous of the right of every citizen to call to the attention of his or her government examples of how the public money can be more effectively spent for the benefit of the American people."

The effective spending of this money must have engaged your attention at least a few days before you addressed the joint session of the new Congress on Jan. 4 and suggested "a single new and greatly enlarged plan" for giving "employment to all of these 3,500,000 employable people now on relief." Indeed, when you made your radio speech on Apr. 28, you said, "For many months preparations have been under way for undertaking this work." And the fruit of these many months of preparations was indicated in your confident words, "We have every reason to believe that it should be in full swing by autumn."

Autumn is almost here, Mr. President, and there is as yet no faintest sign that the great work-relief program, to cost \$4 billions, will be in full swing when autumn comes. For events have proved that there was no definite plan in your own mind when you came before Congress on Jan. 4 and pronounced your cheering message. There was no definite plan in your mind four months ago, when Congress put \$4 billions into your hands and authorized you to do the job in your own way. Since then there have been plans and plans, old plans and new plans, bright improvisations and embarrassing changes of mind; and today there is still no definite and fundamental plan on which your subordinates can rely.

Today there is confusion. Every observer in Washington knows it. The great \$4-billion program has produced almost no new employment. The 1,500,000 unemployable persons on federal relief have not

been transferred to the local relief agencies, as you confidently predicted 7 months ago. There is a persistent conflict between relief aims and work aims. Governmental agencies wrangle with each other.

There are not enough projects ready to be undertaken at once. There are workable plans that have been stuck into somebody's pigeon-hole and allowed to gather dust, or even been forgotten. There is ineffective teamwork in your three-ply organization. Every plan is stopped completely unless you authorize it. It cannot pass from one of your principal lieutenants to another without your signature. And frequently it does not pass at all, and nobody can discover why.

These are the facts, Mr. President, as observed continually in Washington. The "instances where work can be done better" are in Washington, above all. "Improper practices prevail" in Washington, more than anywhere else. "The public money can be more effectively spent for the benefit of the American people" by improving the methods or unmethodical characteristics that plague your program in Washington. And strict fairness requires the observation, Mr. President, that the central fault is not in your lieutenants, but that these men are bound by conditions beyond their control—but not beyond yours.

## Sharp Rise in Flow of Securities

In the first half of this year, the Securities and Exchange Commission received registration statements for two-thirds of a billion dollars' worth of securities, nearly twice as much as the sum in the first half of last year. Our easy-money policy is the main cause of this increase. It is producing the same effect here as the same policy has done in Britain. But

whereas financing in Britain has been going up for 3 years, here it has scarcely had a significant rise except in the past 3 months.

Most of it is refunding. Corporations are calling their high-interest securities, and issuing new ones with a lower coupon rate. With the money they save they can buy capital goods; or they can increase their dividends and thus attract a greater demand for their stocks; and the greater the investment in stocks, the greater the capital goods production.

Later on, as profit opportunities increase, there will be more new capital financing. But already the happy experience of many corporations in their refunding has undoubtedly improved the morale of business and helped to inspire a general confidence in what the fall will bring us.

## Toward a Unified Banking System

All American banks ought to be in a single system. Senator Glass, an advocate of unification, put a provision into the Senate banking bill which attempts to coax and coerce banks into the Federal Reserve System by using membership in the Federal Deposit Insurance Corporation as a lever.

No state bank organized after the enactment of the bill could have its deposits insured unless it joined the Reserve System; and every state bank with average deposits of \$1 million or more that is now a member of the FDIC would be forced out unless it also became a Reserve member.

Chairman Steagall of the House Banking and Currency Committee objects, saying the Reserve System "has been established for 20 years and by no means all the banks have been induced to come into it." True enough. Many state banks have remained outside the Reserve System because they induced their state banking authorities to allow practices which the Reserve System forbade. And banks in the Reserve System got greater leniency by threatening to quit and come under state supervision. This jockeying has been bad for American banking. We ought to have a unified system, and the Senate provision is a step towards it.

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